THE GREAT WHITE UMPIRE IN PALESTINE: BRITISH ECONOMIC POLICES AND ARAB GRIEVANCES, 1920-1936

by

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A thesis submitted to the faculty of
The University of Utah
in partial fulfillment of the requirements for the degree of

Master of Arts

Department of History

The University of Utah

August 2013

The University of Utah Graduate School

STATEMENT OF THESIS APPROVAL

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ABSTRACT

This thesis examines the consequences of British economic policies in Palestine from 1920-1936. The government of Palestine needed to accommodate the economic demands of the Zionists, the Arabs, the international community, and the British Empire, but with so many commitments, the British often ignored the needs of the Arabs in order to placate the other groups. Many economic policies had unintended consequences which greatly angered the Arabs, hurt their sector of the economy, or both. This thesis attempts to break away from the simple approach of viewing Palestine through the prism of the dual commitments to the Zionists and the Arabs by broadening the scope and looking at British obligations to the international community and the British Treasury. In addition, the present work examines British attitudes towards the Zionists and the Arabs in regard to developing the country. It also uses Arab complaints to paint a more complete picture of British economic policies.

Dedicated to my parents and grandparents

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CHAPTER 1

INTRODUCTION

The British had many economic responsibilities in Palestine. They were responsible for permitting and organizing the settlement of Jewish immigrants while somehow simultaneously protecting the rights of the Arabs. The government needed to conduct a trade policy that would be beneficial to Palestine and also take into consideration the mandate which prohibited discrimination against other League of Nation members. Furthermore, the British needed to improve the country in the interests of the inhabitants through development projects such as Haifa harbor and the Dead Sea, while at the same time balancing the need to promote British industries and contractors and allowing other countries to bid on concessions. In addition to the commitments to the international community, the Zionists, and the Arabs, the British authorities had to promote the wider imperial economy and make sure Palestine was financially self-sustaining.

Overall, the government of Palestine kept its commitments to the Zionists, the British Treasury, and to an extent the international community, but utterly failed the Arabs. The government's inability to satisfy their political, social, and economic needs during the 1920s and early 1930s led to a major turning point in Palestinian history, the 1936 Revolt. The violence which lasted for over three years showed the British that the goals of the Jewish National Home and the needs of the Arabs were completely incongruent. Afterwards, the British policy towards ending the conflict shifted between partition in 1937, an Arab dominated state in 1939, and ultimately back to partition in 1947.

This thesis looks at British economic policies from 1920-1936 and the consequences they had on the Arabs of Palestine. These policies often had unintended consequences that either greatly angered the Arabs, hurt their sector of the economy, or both. This thesis will put economic policies into a much wider scope by emphasizing the commitments to the British Treasury as well as to the international community in addition to the dual commitments to the Zionists and the Arabs and will explain how British attempts to meet the first three obligations often precluded aiding the Arabs. It will also use the economic grievances of the Arabs to construct a comprehensive picture of the economy of Palestine. By focusing on the unintended consequences, this work will help produce a better understanding of British economic policies.

While other authors have examined British economic policies in Palestine, they suffered from three limitations. First, they usually were limited in scope and either focused on agriculture or industry. This prevented them from developing a complete picture of the economy of Palestine. Second, previous works usually stressed the dual commitments to the Zionists and the Arabs and greatly underemphasized the constraints placed on the government of Palestine by the British treasury and the mandate. Finally, most focused on economic policies of the government in order to examine the growth of the Jewish National Home and only made passing references to Arab developments and reactions.

Literature Review

The great bulk of the historiography on mandatory Palestine until 1936 focuses on political and social events. While economic policies have not been covered as much by historians, the idea that they contributed to Arab frustration is not new. May Seikaly, Mahmoud Yazbak, and Sonia el-Nimr have all previously written on the subject. Seikaly's book, *Haifa: Transformation of an Arab Society: 1918-1939*, deals with the socio-economic and political changes that occurred in Haifa during the early mandate. Economically, she examines the segregation of the Jewish and Arab economies by analyzing protective tariffs provided for Zionist industries, the much slower growth of the Arab sector, the decline of the Arab mercantile class, and discriminatory labor policies. In his article, "From Poverty to Revolt: Economic Factors in the Outbreak of the 1936 Rebellion in Palestine," Mahmoud Yazbak explicitly traces the capitalist penetration of Palestine to the 1936 Revolt. He also explains how British policies, such as the commuted tithe, failed to help the fellaheen and how discriminatory wage practices angered the unemployed Arabs who flooded the coastal cities because of failing agricultural conditions. In her dissertation, Sonia el-Nimr briefly discusses the symbolic and economic importance of the British giving key concessions to the Zionists and how it greatly upset the Arabs.

While these works are important for examining British economic policies, they are often limited in scope or breadth. Even though Yazbak alludes to wider economic conditions and constraints that prevented the British from properly regulating trade, he does so tangentially. Seikaly's emphasis on Haifa naturally precludes any analysis of agricultural policies. El-Nimr only briefly discusses the economic issues before delving into the bulk of her dissertation, the 1936 Revolt and the role played by the fellaheen.

Barbara Smith's book, *The Roots of Separatism in Palestine: British Economic Policy, 1920-1929,* is the most important text for understanding British policies towards the Palestinian economy during the early mandate. She demonstrates how the British nurtured Zionist desires for economic power and how this process helped to separate the Jewish and Arab economies during the first decade of the mandate. The policy of the government at the beginning of the 1920s was laissez-faire, but this quickly changed because of Zionist pressure and the desire of the British Treasury to develop a financially self-sustaining state. The government later began actively supporting the Jewish sector through protective tariffs for industries and generous concessions for Jewish entrepreneurs.

Martin Bunton's book, *Colonial Land Policies in Palestine, 1917-1936,* is critical for understanding how the government perceived land tenure. Bunton claims that the government did not possess a monolithic approach to the subject and instead fluctuated between favoring the free market, the desire to develop the country, and the need to protect the fellaheen. His section on agricultural credit illustrates how the lack of land title was only one factor which prohibited the creation of agricultural cooperatives and an agricultural bank in addition to fiscal constraints and the lack of the government's commitment.

Kenneth Stein's works examine several other aspects of land tenure in Palestine. In his book, *The Land Question in Palestine: 1917-1939,* he not only looks at how wealthy Palestinians sold their land to Jews, but how Zionist pressure helped influence

British policies. His article, “Legal Protection and the Circumvention of Rights of Cultivators in Mandatory Palestine,” succinctly shows how legislation passed by the government failed in its goal of protecting the fellaheen.

Little Common Ground, written by Charles Kamen, is an important text as it is one of the first to fully address the agricultural system of mandate Palestine. He claims that Jewish settlement had little effect, either negatively or positively on the overall tenure of the Arabs. Instead, it was British unwillingness to significantly address agricultural problems that exacerbated the poverty of the fellaheen. The most important aspect of Kamen’s book is his thorough analysis on the overall economic structure of Palestine and his criticism of Jacob Metzer’s theory of the dual economy.

This theory states that the economy of mandatory Palestine consisted of two separate economies, a modern Zionist and traditional Arab. Kamen criticizes this theory and instead argues that the economy of Palestine must be seen as a single entity.[1] He emphasizes how there was a great deal of interaction between the two groups through land sales, and labor. Furthermore, as we will see, British economic policies regarding one group often affected the other.

Julian Finegold’s dissertation, “British Economic Policy in Palestine: 1920-1948,” shows that for the most part, the British and the Zionists had a symbiotic economic relationship. The government created conditions that allowed for the growth of the Jewish National Home while the Zionists were able to contribute to the country’s Treasury. He further describes the relationship between the governments in Jerusalem and London. Economic policies were created in the Colonial Office, which, given the

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[1] Charles Kamen, *Little Common Ground: Arab Agriculture and Jewish Settlement in Palestine, 1920-1948* (Pittsburgh: University of Pittsburgh Press, 1991), 123-32 and citation 33 on 290.

tradition of such a department, sought to run Palestine like a colony. This sometimes ran counter to the objectives of the administration in Palestine which needed to run the state as efficiently as possible for the sake of the British budget, but also sought to advocate for the local economy. Finegold is also the only historian to thoroughly describe the entire history behind the Palestine Loan of 1926.

The *Palestine Royal Commission: Minutes of Evidence* is crucial for understanding the economic grievances of the Arabs. In response to the outbreak of violence in 1936, the British sent a commission headed by Lord Peel to investigate conditions in the country. All of the public sessions were published. Granted, while most of the sessions were dedicated to conversations with leaders from the government of Palestine and the Zionist Executive, the evidence taken from the few Arabs involved is extremely helpful in revealing the grievances of the indigenous population.

These complaints included high rural taxation, tariffs instituted to protect Jewish industries, the lack of an income tax, the government's handling of the major concessions, and the failure to protect the peasants. The Arabs blamed the British for establishing a bloated bureaucracy, thus draining the coffers of Palestine instead of spending the money on aiding the destitute Palestinian agriculturalists. The main complaint was that the British government supported the creation of the Jewish National Home at the expense of the Arabs. They accused the British of creating superfluous agencies and an extensive military apparatus all meant to sustain Jewish growth. Some of those who gave statements were 'Awni Bey 'Abd al-Hadi, founder of the Istiqlal party and a member of the Arab Higher Committee; Jamal Bey al-Husayni, member of the Palestine Arab Party and the Arab Higher Committee; Fuad Effendi Saba, an accountant and secretary of the Arab Higher Committee; and Dr. Khalil Totah, headmaster of the Friends' School in Ramallah. The greatest weakness, as pointed out by the *Palestine Post*, was that all the Arabs who presented arguments in front of the commission were *effendis*, the Arab elites. While this is a valid complaint, these *effendis* did convey the economic grievances of the wider population.

As for archival material, this thesis relies heavily on "The Records of the United States Consulate in Jerusalem, Palestine Confidential Correspondence, 1920-1935," and the "Colonial Office Palestine Original Correspondence, 1921-1949." The reports from the American Consulate are particularly useful because they contain valuable insight from a completely different perspective. The other archival source, the Colonial Office Correspondence, is replete with analyses, discussions, and debates over British policy in Palestine. While the archive consists of the years 1921-1949, only the years 1927-1934 have been reproduced on microfilm (and hence are available in the United States.) This material covers the most critical economic decisions for the 1920s and the early 1930s. The Colonial Office correspondence is not only helpful in illustrating how policies were formulated within the Colonial Office, but underscores the interplay between the governments in London and Jerusalem in addition to illustrating the efforts of the Zionist Organization to exert pressure on the British. The correspondence also contains valuable memoranda that were never published.

Outline

This thesis is divided into three chapters. The first looks at how imperial policies and international commitments interfered with economic decisions for Palestine. The government had wanted to guide all construction of Haifa harbor to British companies, but the mandate's clause against discrimination prevented this. In order to circumvent this obligation, the British used the issue of Jewish labor to have the construction done through the Department of Public Works, and therefore keep the project under British control. While the harbor provided for imperial goals and Zionist economic development, the decision to have the construction undertaken departmentally, and by partly using expensive Jewish labor, increased the costs.

The mandate left Palestine vulnerable and prevented it from discriminating against countries that dumped excess products into its markets without taking any of its exports. Therefore, Palestine relied heavily on its trade with Great Britain. The Colonial Office and the government in Jerusalem fought vigorously to get Imperial Preference extended to Palestine, but due to complications arising from Britain's most favored nation clauses with other countries, this never happened.

The second chapter looks at British policies towards industry and development. The government granted Zionist industries generous duty exemptions and protection, hoping that industrial development would aid the Arabs. This was not the case and instead, the fellaheen paid higher prices for goods. The government also granted the Zionists crucial concessions for hydroelectricity, the Dead Sea minerals, and the Huleh swamp with the assumption that development would also benefit the entire country. This greatly angered the Arabs as the exploitation of these resources significantly helped Zionist development. They also questioned the power of the British to distribute the resources to a small section of the country. The government's labor policies were very complex. On one hand, it needed to make sure to construct projects as cost effectively as possible. On the other, it needed to hire the more expensive Jewish labor to appease the

Zionist Organization. Throughout the mandate, the government discriminated against the Arabs by paying the Zionists higher wages. The construction of Haifa harbor is an example of how even when the government sought to establish a common wage, it continued to discriminate. The government also sought to protect the rural Arab society and used paternalistic policies to prevent Arab labor organizations.

The final chapter examines policies towards agriculture. International trade obligations and Zionist pressure prevented the British from fully protecting agricultural products in the early 1930s. Combined with a worldwide drop in agricultural prices and crop failures, this pushed more fellaheen into poverty. The government attempted to tackle the problem of unjust taxation on the fellaheen with the commuted tithe of 1927, but due to its rigid nature, droughts, crop failures, and international problems, combined with a rise in the immovable property tax, the plan backfired. The Arabs had always demanded the implementation of an income tax and were greatly upset in 1934 when the income tax commission found that it was premature to establish it in Palestine. While a logical conclusion as it would have been impossible to enforce, this took place in a charged political environment where the decision was viewed as the government once again siding with the Zionists. The government's parsimony meant that agricultural credit was not provided for the fellaheen until the 1930s. Instead, the government sought to alleviate the situation of the peasants with legislation, but collusion between the Zionists and wealthy Arab landlords meant that land sales and the dispossession of the fellaheen continued unabated. Overall, the British commitments to the international community, the Zionists, and the empire all helped lead to the unintended consequences of British economic policies that negatively affected the Arab economy.

CHAPTER 2

THE IMPERIAL ECONOMY AND PALESTINE

Palestine had participated in the global economy for centuries, but during the 1920s and 1930s, its economic position depended on British policies and the stipulations of the mandate. During the early 1920s, when the League of Nations created the mandate system, the prevailing economic belief was that free trade would encourage peace. Several clauses of the Palestine mandate prohibited discrimination against the access of foreign goods and companies to Palestinian markets and development projects. However, by 1930, many states had implemented artificial tariffs to protect their own goods, with the result that the Palestinian economy was encumbered with an outmoded economic philosophy.

At the same time, according to the mandate, the British had an obligation to support the development of the Jewish National Home while protecting the rights of the Arabs. While these requirements were certainly unbalanced and favored the Zionists, the main point is that the British did have obligations to both groups. While both sides continuously advocated for their respective societies, the Zionists were far more successful in holding the government's feet to the fire. The Arabs refused to recognize the mandate, and in consequence, their leaders often snubbed offers to discuss important economic matters, fearing that attending these conferences would amount to a tacit acknowledgement of the mandate. The Zionists on the other hand possessed numerous economic organizations that not only demanded action from the British but were able to provide the government with detailed memoranda and recommendations regarding policies. The British had reasons for cooperating with Zionists economically. London hoped that world Jewry would harness its supposed economic power and invest heavily in Palestine which would in turn allow for less British investment.

This would assuage the British taxpayer and politicians who clamored for the administration to reduce its budget. With Great Britain hit hard by the economic downturn in the early 1930s, the government of Palestine needed to make economic decisions which would not only serve the British taxpayer, but support British companies. The governments in London and Jerusalem also needed to have a larger, empire-wide perspective when deciding policies in Palestine given that trade relations between Britain and Palestine could affect interactions between the home country and the dominions or foreign states.

This chapter will explain how, through the examples of Haifa harbor and Imperial Preference, British economic policies towards Palestine were often complicated by international commitments and when the economic demands of Palestine clashed with those of Britain, the latter always won out. In addition, we will see the confluence between imperial needs and developmental goals of the Zionists.

Haifa Harbor

> If only local Palestinian interests were at stake, I would say, as I have said before, that I would prefer to drop the whole project and let Palestine do without a harbour at Haifa; but the question is so

> bound up with Imperial interests in connection with the trans-desert railway and pipeline that we are precluded from taking this line.[2]

Palestine always had a port that had met its international shipping needs. Immediately after the Islamic conquest, it was Gaza, while from the crusades to the mid-19th century, Acre played a prominent role. By the mandate, both these ports had fallen into a dilapidated state[3] and Palestine lacked a proper harbor to deal with 20th century shipping. While the opening of a port at Tel Aviv helped, particularly during the citrus season, it lacked the size and facilities needed to handle the desires and shipping requirements of the British.

Though ostensibly for the development of Palestine, in actuality, the construction of Haifa harbor was in fact part of the British government's Middle Eastern imperial policy. Jacob Norris makes the point that the British holdings in the Middle East during the interwar period must be viewed as a coherent entity.[4] Their mandates stretched from the Persian Gulf at Basra through Transjordan to the Mediterranean coast of Palestine. The mandatory had two goals; one, the exploitation of natural resources, mainly Mesopotamian oil, and to lesser extent potash from the Dead Sea. The second was to secure the air route through the Middle East to India.

Haifa harbor was to act as a refueling station for the British fleet. Previously, the British navy had refueled at Alexandria, but with the granting of the Palestine mandate and the declaration of Egypt's independence in 1922, a harbor in Palestine seemed a

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[2] Barbara Smith, "British Economic Policy in Palestine towards the Development of the Jewish National Home." Ph.D. diss., University of Oxford, 1983, 312-13. Citing Sir John Shuckburgh's minute 3 December 1928.

[3] *A Review of the Agricultural Situation in Palestine* (by E. R. Sawer) (Jerusalem: Palestine Dept. of Agriculture, 1923), A Memorandum on the Fishing Industry at Gaza, 28-31. See for a detailed discussion of the Gaza coastline, the history of the port, and the lack of facilities.

[4] Jacob Norris, "Ideologies of Development and the British Mandate of Palestine."Ph.D diss., University of Cambridge, 2010. See chapter 2 on the wider context of the development of Haifa.

much more controllable location. In addition, the British wanted an oil hub on the coast to compete against French-controlled Beirut. More importantly, by 1935, the harbor was the end point of an oil pipeline beginning at Kirkuk.

Haifa possessed several geographical features that made it ideal for an imperial harbor. The Carmel mountain ridge juts into the Mediterranean, creating a natural bay protected by Acre to the north.[5] Haifa also is a perfect location in that it is better connected to the rest of the Middle East than other Palestinian cities. Jaffa, Haifa's main competition, is well located to serve the needs of the Palestinian people, but the central highlands cut the city off from Transjordan. Therefore, Jaffa could not accommodate the British who needed access to a much larger hinterland. Haifa on the other hand was located at a break between the central hills and the Galilee through the Jezreel valley that linked to the Jordan valley. These two geographic features created a perfect outlet to the wider Middle East as it was easy to construct roads and lines of communication there. Access through the Jordan valley connected to Transjordan and eventually to Iraq. It was only through Haifa that the British could connect Mesopotamia to the Mediterranean.

The harbor was to be paid for through the 1926 Palestine Loan that had originated during Sir Herbert Samuel's administration (1920-25). He had spent money for public works through advances from the Crown Agents without the approval of the Colonial Office, and the loan was therefore meant to pay off this deficit spending. The Colonial Office tacked on an extra £1,115,000 for harbors at Haifa and Jaffa.[6] During discussions in the House of Commons, the Colonial Office claimed that any expenditure from the

[5] Saul Cohen, "Haifa: Israel's Link to the World: The Political Geography of the Port and Its Environs." Ph.D. diss., Harvard, 1954, 22-24.

[6] Julius Finegold, "British Economic Policy in Palestine: 1920-1948." Ph.D diss., University of London, 1978, 73.

loan not spent in Palestine would be spent in Britain. This stipulation helped convince those members of parliament still on the fence, but nothing was officially attached to the loan. After much debate in parliament, the British agreed that as long as Palestine paid all the interest, the British would guarantee the loan. Although the Colonial Office conceived of the plan in 1924, it did not pass parliament until 1926 when it was attached to the East African Loan.

The Arabs protested the imperial nature of the harbor. The British would receive the benefits while the Arabs would have to pay for it. Dr. Khalil Totah claimed that the country took a high interest loan so that the British could use their companies to build what would be essentially a British naval base.[7] The other complaint was that the government used British materials and companies exclusively for construction even when foreign ones were cheaper. This was a common practice of the British.[8] In order to get around the clause of the mandate prohibiting the government of Palestine from discriminating against foreign goods, the British had Crown Agents buy supplies for the country instead. The British used this method to purchase goods for the country ranging from construction materials for the harbor to pharmaceutical drugs. Haifa harbor was just one instance, though by far the largest, in which the British exploited Palestine for the benefit of its own companies.

Instead of opening up the construction to bidding, the Colonial Office did its utmost to make sure that British industries and interests monopolized the project. British intentions clearly went against the terms of the mandate which specified that the

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[7] Memorandum based on conversation with Dr. Khalil Totah. Enclosed in Consul General Ely E. Palmer, Jerusalem, to Secretary of State, 22 September 1934. Records of the United States Consulate in Jerusalem, Palestine, Confidential Correspondence, 1920-1935 (Record Group 84). Reel 2, 341-359.

[8] Finegold, “British Economic Policy,” 90-92.

government could not discriminate against other countries in regard to access to concessions for public works not undertaken directly by the government itself. London at first tried to disregard the principles of the mandate, but eventually, when the Colonial Office ultimately conceded to international pressure in 1929, it still transgressed the spirit of the law by building the harbor governmentally and guiding contracts towards British firms. This section will look at the legal wrangling between the Colonial Office, the Foreign Office, and other countries, and how in order to skirt around international obligations, the Colonial Office eventually decided to construct the harbor through the Public Works Department. In the end, it was the Palestinians who picked up the extra costs.

When the Colonial Office first accepted the plans to build the harbor, the original intention was to have the project done through the government of Palestine. Over time, while the British continued to flirt with the idea, many officials questioned its economic viability. The head engineer of Rendel, Palmer & Tritton, the firm employed by the government to develop plans for the harbor, wrote a comprehensive memo on the financial dangers of having the project done by the government. Not only would there be a great deal of wasted resources, as the government of Palestine possessed no previous experience with a large-scale harbor, but the costs of machinery and supplies would be much higher.[9] A contractor uses the same machinery over and over, transferring them from one project to another. This allows him to charge less. If the government of

[9] Messers. Rendel, Palmer & Tritton, London, to Crown Agents, 1 November 1927. Enclosed in Sir Henry Lambert Crown Agents, London, to Under Secretary of State for the Colonies, 2 November 1927. CO 733/132/44059.

Palestine were to buy machinery, it would only be used once, and then it would be sold at a considerable loss.[10]

Several months after the memorandum, the High Commissioner Herbert Plumer (1925-28) soured on the idea of governmental construction. What seems to have changed his mind was that the head of the Public Works Department of Palestine, Fawcett Pudsey, admitted that the costs, if done departmentally, had the potential to balloon. He made two convincing arguments. Construction companies have books of the most qualified workers whereas if done departmentally, no locals would have the adequate experience, and the learning curve would be very steep. In addition to this, the bidding process would keep expenses down. "A contractor who aims at high profits is underbid by another who is satisfied with reasonable profit, and frequently by one who is content with quite a small margin of profit in order that he may find employment for a permanent staff…"[11] While the cost and speed of the construction played a role in the decision-making process, there were two other main factors that had initially led to the idea of departmental construction.

One of these was the need to increase Jewish employment and to promote the establishment of the Jewish National Home. The Zionist Organization had applied a great deal of pressure on the government to hire a greater proportion of Jews for public works. The depression of 1927 hit the Jewish community especially hard in Haifa and Tel Aviv to the extent that the Zionist Agency could no longer support their unemployed. Several times late in the year, the government had to lend £1,000 to the municipality of Tel Aviv

[10] Ibid.
[11]The Construction of Civil Engineering Works. Head of the Department of Public Works, Fawcett Pudsey. Enclosed in High Commissioner Lord Plumer, Jerusalem, to Secretary of State for the Colonies, 12 January 1928. CO 733/149/57105.

in order to keep the unemployed Jews from starting bread riots.[12] The British saw the harbor as a giant public works project with which they could manage Jewish unemployment. This would not only assuage the demands of the Zionist leadership, but would ultimately alleviate British financial obligations in Palestine. Lower unemployment and a better economic atmosphere usually led to more subscriptions to Zionism from world Jewry. Larger amounts of Zionist investment could replace that of the British.

The other main reason was that by carrying out the project through the government of Palestine, the Colonial Office and the Crown Agents could control where the materials were purchased. The goal was to steer contracts to British companies. The Colonial Office viewed the project as a spoil of war. British blood had been spilt conquering Palestine. In addition, London had expended a great deal of energy in governance and, theoretically, their reputation and credit in that they backed the 1926 Palestine Loan and therefore saw it as their right to exploit any construction.

In mid-1927, the Colonial Office in conjunction with Lord Plumer decided that it would be faster and more efficient to have the British construction company McAlpine and Sons carry out the project as they were on the brink of finishing a harbor in Ghana at an amazing pace and were prepared to move all the machinery to Palestine right away. All in the Colonial Office agreed that if speed were the main factor, they were the ones to undertake the project. Sir John Shuckburgh, the Undersecretary at the Colonial Office, said, "*provided that political difficulties could be overcome*… the contract should be

[12] Telegram from the Officer Administering the Government of Palestine to the Secretary of State for the Colonies, 20 July 1927. Enclosed in hand written note Sir John Shuckburgh, London, to Dr. David Eder, 27 July 1927. CO 733/142/44626.

offered without competitive tender to Messers. McAlpine."[13] Clearly, the Colonial Office understood that what they had intended on doing contradicted the mandate.

The Crown Agents threw cold water on the plan. They met the offer by McAlpine to complete the project 18 months ahead of schedule with severe skepticism and stated that the situations in Ghana and Palestine were vastly different. They also added that without proper preliminary surveys, it would be impossible to make such an offer.[14] Furthermore, the surveying engineers stressed that in order to establish what a decent price would be for the construction, it would be necessary to put the project up for bidding.[15] Very quickly, others understood that a rushed concession to McAlpine would be completely uneconomical.

Once it was decided that it would be economically advisable to seek tenders, the major question in the early months of 1928 was how to invite British applicants without causing an international controversy that could drag the Colonial Office to The Hague. The Colonial Office in conjunction with the Foreign Office sought the advice of the Law Office, which said that it would not go against article 18 of the mandate to invite applications from *a select group* of firms that all just happen to be British, but it would be if they opened up the bidding to all British firms and discriminated against foreign ones.[16] Invitations were then sent to 11 select British companies.

At the same time, matters moved apace internationally that obfuscated the situation. The American, Italian, and Dutch embassies all wrote to the British requesting

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[13] Sir John Shuckburgh, Minutes, 12 July 1927. CO 733/132/44059. Emphasis in the original.
[14] Crown Agents, London, to Colonial Office, 9 August 1927. CO 733/132/44059.
[15] Messers. Rendel, Palmer & Tritton, London, to Crown Agents, 10 September 1927. Enclosed in Sir Henry Lambert, London, to Under Secretary of State for the Colonies, 12 September 1927. CO 733/132/44059.
[16] Law Officers' Department, Royal Court of Justice, London, to Secretary of State for the Colonies, 24 May 1928. CO 733/149/57105.

information on the specifics of the concession, assuming that under article 18, all of their companies would have equal access. Many discussions between Jerusalem and the Colonial Office revolved around how to delay responding long enough so that even if foreign firms were allowed to give a tender, they would not have sufficient time to fully prepare one. Once it became clear that the British had intended to ask for tenders only from select British companies, the international community was in an uproar, particularly the Americans and the Italians. The American Consul went to visit Fawcett Pudsey and when confronted, the director of the Department of Public Works smilingly said that the project was a closed proposition.[17] The Italian consulate received a similar response. In 1929 during a conversation with High Commissioner Sir John Chancellor (1929-1931), the American Consul brought up various issues involving Haifa harbor construction. When the American claimed that the British discriminated against them, Chancellor justified it by exclaiming that they lost men conquering Palestine and were spending British funds in administrating the country. The American felt that throughout the conversation, Chancellor was dismissive of his complaints and ultimately that the British were treating Palestine as if it were a Crown Colony and not a mandate.[18]

With a potential international legal clash on the horizon, the Law Office reexamined the case and came to the conclusion that the plan of inviting tenders from a few British companies now *was not consistent* with article 18 of the mandate.[19] What changed their minds was that in three separate cases between 1921 and 1926, the High

[17] Vice Consul in Charge J. Thayer Gilman, Jerusalem, to Secretary of State, 20 October 1928. Records of the United States Consulate in Jerusalem, Reel 2, 1189-1191.
[18] Memorandum of Conversation with British High Commissioner 12 June 1929. Enclosed in Consul General Paul Knabenshue, Jerusalem, to The Secretary of State, 25 June 1929. Records of the United States Consulate in Jerusalem, Reel 1, 1151-1159.
[19] Law Officers' Department, London, to Leo Amery, 12 November 1928. CO 733/159/57500.

Commissioner had promised the Italian government and companies that they would be able to apply for public work concessions when the time came. The Law Office said that in order to prove that there was no discrimination, it would have to be shown that the earlier offers which were acceptable then, would at present no longer be in the *best interests* of Palestine.[20] In their opinion, and the Foreign Office agreed, this could not be done.

While the Foreign Office then wanted to open up tenders to international firms, the Colonial Office, led by Leo Amery, refused to back down. A debate broke out between the two departments and the correspondence between Amery and Lord Cushendon of the Foreign Office proves the extent to which the Colonial Office was willing to go to protect British interests. Amery argued that they could ask for tenders exclusively from British companies based on the stipulation of the 1926 Palestine Loan that nonlocal expenditures must be spent in the UK. He further added that without the British guarantee on the loan, Palestine would not have received such a low rate of interest. According to him, Britain saved Palestine nearly £90,000 a year.[21]

Lord Cushendon reminded the Colonial Office that no clause regarding spending was ever officially added to the loan. He then made a cogent point that illustrates how the British not only understood their role in the construction of the harbor, but their task in Palestine during the entire mandate. He rephrased a statement that Austen Chamberlain made earlier that year. "…As mandatory power she [Britain] was to look out for the best interests of the people of Palestine. On the other hand, the British needed to promote the

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[20] Ibid.
[21] T. K. Lloyd, London, to Under Secretary of State Foreign Office, 4 October 1928. CO 733/159/57500.

interests of British manufacturing and industry."[22] If there had been a stipulation, it would have proved that Britain was acting in her best interests and not Palestine's. Since the stipulation was never adopted, the British now had to do what was in the best interests of Palestine, and allow for international tenders.[23]

Defeated, Amery wrote on 4 December 1928 that "the least disadvantageous course is to revert to some form of departmental construction…"[24] We have already seen the myriad ways in which this route would be the least economical for the people of Palestine. The Colonial Office simply refused to allow international companies in on the development of the country. While this discrimination was clearly for the benefit of British industries, the Colonial Office tried to rationalize the decision, at least internally. It claimed that if an international company were to receive the concession, and if there were a disagreement between the Colonial Office and the concessionaires during the construction, the latter might take the British to court and demand exorbitant compensation rather than finish the project.[25] The Colonial Office adduced that on the other hand a British company would not dare to take its own government to court and risk its reputation.

Sir John Shuckburgh, Sir Cecil Hurst, and Frederick Palmer, representing the Colonial Office, the Foreign Office, and the engineers on the ground, respectively, met in the Colonial Office on 11 January 1929 to discuss how to explain to the international community why the government now planned on carrying out the project departmentally.

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[22]Lord Monteagle C. M. GCO, London, to Under Secretary of State Colonial Office, 29 March 1928. CO 733/149/57105.
[23] Lord Monteagle C. M. GCO, London, to Under Secretary of State Colonial Office, 16 October 1928. CO 733/159/57500.
[24] Sir John Shuckburgh, London, to Under Secretary of State Foreign Office, 4 December 1928. CO 733/159/57500.
[25] Sir John Shuckburgh, London, to Sir Henry Lambert, 29 December 1928. CO 733/159/57500.

They decided that in order to abate any chance of anger leading to a court case, the Colonial Office needed to prove that the decision to do the work departmentally was in the best interest of the people of Palestine. It was therefore concluded that they would claim that the policy of building the Jewish National Home required employment in public works, including the harbor, and that the high minimum wage needed for the Jews would make it nearly impossible for a company to agree to such terms.[26] Therefore, in order to ensure that Jews were hired in large numbers and that their wages were up to European standards, it was necessary to have the harbor built by the government.

Since the government decided to carry out the project itself, other countries could not evoke article 18 of the mandate which prohibited discrimination. Even though Haifa harbor construction did not go against the letter of the law, the situation continued to infuriate many. In a letter, the Italian ambassador to Great Britain enunciated the situation perfectly,

> …while this procedure may conform to the mere letter of the agreements which declare open to ‘the participation of Italian enterprises in public works, services and utilities and in the development of the national resources of the country so far as the matters are not directly undertaken by the Administration’…the international mandate does not represent a right or a prerogative for the mandatory power, but a mission entrusted to it, in the conduct of which it is to derive no direct advantage-- it being on equal footing in the economic field with other members of the League of Nations--the Royal [Italian] Government believes that it is right in regarding the direct assumption by the Palestinian administration of the more important public works as a system contrasting with the spirit of the international agreements…[27]

By January 1929, the main decisions regarding the construction of the harbor had been made. It would be built through the government, although this would raise the price

[26] Sir John Shuckburgh, London, to Lord Monteagle C.M.GCO, 18 January 1929. CO 733/164/67026.
[27] Translation of Note from Italian Embassy, London, 6 September 1931. Enclosed in Consular of Embassy Ray Atherton, London, to The Secretary of State, 4 November 1931. Records of the United States Consulate in Jerusalem, Reel 1, 873-885.

by at least £285,000.[28] Smaller and more insignificant contracts would be given to foreign tenders in order to placate the international community.[29] The Colonial Office through departmental contracts could then ensure that British and Palestinian resources were used exclusively. The Colonial Office was able to justify the decision by arguing that Jewish employment, and therefore Palestine's interests, were being guarded, while skirting around the legal provisions of the mandate. British and Jewish interests were protected. The only problem was that the extra costs of the harbor would ultimately be paid by the taxpayers of Palestine and would come, not from the amount allocated to security, but from extra spending on social and developmental projects.

Imperial Preference

The British government often fell short in developing the economy of Palestine during the 1920s and 1930s. Sir Herbert Samuel devoted quite a lot of resources to public works, much to the chagrin of the Treasury, so that later High Commissioners found their financial flexibility greatly limited. Aiming to make the Palestine railroad system profitable, the government withheld permission from road-building projects and of course the bulk of the budget was devoted to security and the administration.[30] Police stations were ubiquitous while spending on agricultural and development programs for Arabs suffered. The granting of Imperial Preference would have been one case in which British governance could have significantly succored the economy, as it would have allowed Palestinian goods to enter Britain duty free or at a greatly reduced rate. Although

[28] The 1926 loan allocated £1,115,000 for both Jaffa and Haifa harbors, yet the estimate was that departmentally, Haifa alone would cost at least £1,400,000.
[29] See CO 733/198/87058 for more on how even these small contracts produced protests from the Italian government.
[30] Jacob Metzer, *The Divided Economy of Mandatory Palestine* (Cambridge: Cambridge University Press, 1998), 180.

Zionists, wealthy Arabs, and the Colonial Office pushed for the preference throughout the 1920s and 1930s, the British Government never granted it.

The concept of Imperial Preference came about during the 1920s and was part of a wider ideological battle between what Ian Drummond calls, the “free traders vs. the imperial visionaries.” The imperial visionaries, including Leo Amery and Sir Phillip Cunliffe-Lister, believed that the interference of government generally could improve economic conditions, whereas the free traders, including Winston Churchill, argued that market forces left alone would regulate the economy. Governmental intervention on an empire-wide scale would include subsidized emigration, capital exports to colonies, and Imperial Preference.[31] The basic ideology, of which Amery became the standard bearer, was that Britain had a duty to help the colonies develop and in these three ways, the colonies could best cultivate their resources, which in turn could be exploited by the home government.

Even though Amery, most of the Colonial Office, and the Zionist Organization saw the economic benefits of granting the status of Imperial Preference to Palestine, some within the British government were not convinced. A memorandum written on the subject was inconclusive. It stated that there would be no economic benefit immediately, and the only value would be a greater degree of confidence of the Palestinian people in the government and better ties between the Zionists and Jerusalem.[32] On the other hand, the author could not say whether or not in the future Palestine would accrue financial benefits. T. K. Lloyd concurred, and went on to claim that there was no need to grant

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[31] Ian Drummond, *British Economic Policy and the Empire 1919-1939* (London: George Allen and Unwin Ltd, 1972), 42.
[32] Memorandum on the Extension of Imperial Preference to Palestine. CO 733/211/87410.

Imperial Preference because the amount of Palestinian exports to Britain continued to grow.[33]

What these detractors failed to take into consideration was that the sectors affected, mainly mixed Jewish and Arab citrus, Arab and Bedouin grain, and Jewish wine, faced almost insurmountable difficulties in gaining access to large foreign markets. Because all League of Nation members were granted an ‘open door’ to trade in Palestine through the mandate, they had no reason to import Palestinian goods and instead dumped their excess products in Palestine. Without being able to attract other countries to import its goods, Palestine significantly depended on its trade with Britain.

The Colonial Office and the Foreign Office argued several times over whether it was possible to grant Imperial Preference to Palestine. Amery, backed by the government in Jerusalem, argued vigorously in favor of it, and while the Foreign Office was sympathetic to the demand, stated that in their opinion, Britain’s international obligations precluded it. The overriding fear was that if England offered the preference to Palestine, it would go against commercial treaties Britain had with other countries. It would open a Pandora’s Box leading to lawsuits against Britain and possible discrimination against English goods.

The Colonial Office first brought up the topic in 1921. Subsequently, the Law Office quickly shot down the idea. The largest stumbling block to granting preferential treatment was that the Law Office defined Palestine as a separate, independent state based on paragraph 4 of Article 22 of the Covenant of the League of Nations which

[33] T. K. Lloyd, Minutes, 2 February 1927. CO 733/137/44311.

categorized Palestine as a class A mandate.[34] Given the unique feature of the Palestine mandate, which included the establishment of the Jewish National Home, the Colonial Office was uncertain whether Palestine would fall within classes A, B, or C.[35] The classification was critical in that B and C mandates, given their lower status of development and greater dependence on the mandatory, would be regarded as *part* of the Empire and therefore eligible for Imperial Preference.[36] In essence, class A mandates were independent of the mandatory power and the granting of the preference to them would therefore go against most favored nation clauses of British trade agreements which elucidated that if London granted a "third state" or a "foreign state" better terms, the country with which the agreement was made could demand the same footing.

The following year, Winston Churchill brought up the topic again with the Economic Board which supported the ruling of the Law Office and added that such an agreement would not benefit Britain at all.[37] This case is extremely interesting for two reasons. First, Winston Churchill notoriously opposed any form of Imperial Preference for the empire and must have only supported this case because of his affinity for Zionism. Second, the Economic Board clearly misunderstood the issue by partially basing their reason on the economic benefit to Britain. The Colonial Office had never argued that it

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[34] League of Nations, *Covenant of the League of Nations*, Geneva. 28 April 1919, Article 22 Paragraph 4. Certain communities formerly belonging to the Turkish Empire have reached a stage of development where their existence as independent nations can be provisionally recognized subject to the rendering of administrative advice and assistance by a Mandatory until such time as they are able to stand alone. The wishes of these communities must be a principal consideration in the selection of the Mandatory. Covenant of the League of nations,

[35] Ibid, Paragraphs 5 and 6. Class B mandates were mostly former German colonies in various parts of Africa. They required more direct governance and were placed under the administration of the mandatory. Class C mandates included South West Africa and the South Pacific Islands. They were to be administered under the laws of the mandatory because they were deemed the least advanced because of sparse population or their "remoteness from the center of civilizations."

[36] Gordon Hewart and Ernest M. Pollock, Law Officers' Department 21 September 1921. CO 733/211/87410.

[37] Finegold, "British Economic Policy," 95.

would help London. The issue was always seen as a potential gift from the mandatory for the development of Palestine.

By 1924, Zionists had started vocally demanding the preference. In a legal brief written for the Jewish Agency, Sir John Simon and Lord Erleigh argued that the issue should not be whether Palestine was independent or not, because this issue remained far too ambiguous, but whether Palestine was an "other" country. Clearly, this was not the case given that Palestine was dealt with through the Colonial Office whereas other countries were handled through the Foreign Office.[38] The Zionist Executive joined the fray as well. Its economic advisor, Dr. Kasteliansky**,** argued that a "special relationship" existed between the mandatory and Palestine and that the former had a "moral obligation" to grant the preference.[39] He also claimed that even if Palestine were not part of the empire, it would not be an obstacle as America had granted Hawaii preferential status before its annexation.[40]

While Zionist organizations were becoming more vocal on the issue, the Colonial Office wrote a memorandum in 1928 backed by new arguments. It also made reference to paragraph 4 of article 22 of the Covenant, but claimed that this paragraph explained that a class A mandate *may* be considered an independent state, not that it *must* be.[41] The Colonial Office again referred to the ambiguous position established with the creation of the Jewish National Home. Amery argued that clearly, Palestine could not be conceived

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[38] Palestine: Imperial Preference, Joint Opinion, Sir John Simon and Lord Erleigh, 28 July 1924. Enclosed in S. Brodetsky, Jewish Agency for Palestine, London, to Sir Philip Cunliffe-Lister, 17 November 1931. CO 733/211/87410.

[39] Memorandum on the Question of Granting Imperial Preference to Palestine, Dr. A. I. Kasteliansky, 9 May 1928. Enclosed in Zionist Organization Central Office, London, to Under Secretary of State, 25 June 1928. CO 733/158/57411.

[40] Ibid.

[41] Draft Colonial Office memorandum, London, to Law Officers of the Crown, July 1928. CO 733/158/57411.

as independent as Syria and Iraq, the two other class A mandates, both of which envisioned a much more limited role for the mandatory. The memorandum also used the logic provided by the Jewish Agency four years before in that the British government runs Palestine; if Palestine is a foreign state then "His Majesty is in the position of being a foreign state vis-a-vis himself."[42]

There was an intense back and forth on the status of the application for Imperial Preference and Palestine, but the Foreign Office armed with backing from the Law Office refused to budge. The issue finally came to a head on 28 October 1928 during a meeting between the two departments. The Foreign Office mentioned that its main objection was that granting the Preference to Palestine could endanger the entire system. The Law Office had assured them that the issue would involve many of Britain's commercial treaties, and that it would only take one objection for the entire subject to be taken to court. It was far too risky; on top of that, the Foreign Office was confident that several states would protest.[43] Though the Colonial Office continued to present the idea to the Foreign Office and the Law Office throughout the 1930s, the decision not to grant Palestine Imperial Preference had been settled, at least in London, by 1929.

During the 1930s, the Zionists continued to petition for the granting of the Preference. *The Palestine Post* published dozens of articles on the subject. It claimed that with Imperial Preference, Palestinian citrus could finally defeat Spain, its main competitor, and dominate the British market.[44] The people of Palestine, the *Post* claimed, instead of being helped by the mandatory, were "rudely shut out" from the British

[42] Ibid.
[43] When approached with the subject, Spain, Italy, and the United States all objected. Spanish Minister of State, Madrid, 8 September 1932. Italian Ministry of Foreign Affairs, Rome, 8 August 1932. American Secretary of State, Washington, 27 August 1932. CO 733/222/97210.
[44] Palestine Post, "Growers Outcry against Exclusion from Imperial Preference. Jan 17, 1933.

Empire.[45] The anxiety felt by citrus growers was understandable given that over-production of oranges in Palestine nearly led to the industry's collapse in the mid-1930s.

The citrus industry was not the only one clamoring for Imperial Preference. The wine industry centered in Rishon LeZion petitioned the government several times and Amery even used one in an argument with the Law Office in 1925. By 1927, the industry had been greatly hampered due to new British tariffs that changed the categorization of wine. The old system differentiated between two levels of wine based on their alcoholic content; products with less than 30 proof and those 30-42 proof. The new system continued to have two levels but the least alcoholic one consisted of those beverages with less than 25 proof. Palestinian wine, which was 26-29 proof, would thus be in the higher alcoholic category and therefore pay three times more in duty than before.[46] The demands of Dominion wine makers had precipitated the new tariffs as they were losing the British market to cheap Spanish imitation port wines that slid in under the lower category.[47] The new tariffs were a method of preserving the effectiveness of the Imperial Preference. With Palestine relying so much on its largest importer, Britain, Palestinian goods struggled to compete without Imperial Preference.

While the cases discussed so far have dealt with instances in which Jews mainly would have gained from Imperial Preference, Arab producers who exported to Britain would also have benefited. There are two reasons only the Jewish voices were heard in London. First, the Zionists were far better organized and any complaints could reach London either through Dr. Chaim Weizmann or the Zionist Executive. On top of that, they also had official societies to represent the various industries. By contrast, the Arab

[45] Palestine Post, "Parliament and Palestine. April 12, 1935.
[46] Winston Churchill, Alteration of Wine Duties in the 1927 Budget, 17 May 1927. CO 733/134/44163.
[47] Ibid.

economy lacked an overarching cohesiveness. There was no permanent mechanism to relay messages to London.

Cooperation between the two groups on the matter of Imperial Preference never materialized. Arab and Jewish citrus growers tried several times to organize a joint delegation to petition London, but they never succeeded. The most famous aborted attempt was in 1933 when ‘Abd al-Rahman Bey Taji, a member of the Supreme Muslim Council, and his brother offered to pay half of the costs of sending the delegation. It never happened because of pressure from other Arab growers who feared that even this sort of economic cooperation with Zionists could hurt the Palestinian nationalist cause.[48]

The Bedouin near Gaza likewise would have benefited. Before World War I, British Scotch distillers used Gaza barley because of its special blending qualities.[49] After the war, without Imperial Preference, foreign competition began to corner the market. While the Arabs did not petition the British, Sir Herbert Samuel argued on their behalf. In 1923, he wrote to the Colonial Office that Gaza barley,

> …was vitally important to Southern Palestine. The town of Gaza was destroyed by British bombardment and still remains in ruins… should this concession be refused, the district would be deprived of what was the principal market for its chief product before the war.[50]

The government in London declined the request.[51]

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[48] Consul General Alexander K. Sloan, Jerusalem, to Secretary of State, 10 March 1933. Records of the United States Consulate in Jerusalem, Reel 2, 223-224.
[49] Finegold, “Economic Policy,” 96.
[50] Ibid, citing Sir Herbert Samuel to the Duke of Devonshire, 24 April 1923.
[51] ‘Issa Mustafa Alami, “Some Aspects of the Palestinian Peasant Economy and Society: 1920-1939.” Ph.D diss., University of Edinburgh, 1984, 386.

Conclusion

The Haifa Harbor incident proved to the Arabs that the intentions of the British in exploiting its construction for their own benefit meant that Palestine was treated just like any other colony. London was more than willing to sacrifice Palestinian finances to support home industries and was prepared to incur the wrath of the international community through breaking the spirit of its international commitments. However, imperial objectives generally coincided with those of the Zionists. Not only did the harbor alleviate Jewish unemployment, but as we will see later, it played a crucial role in the development of Zionist industry. The matter of Imperial Preference shows that the British were not disposed to granting the mandate the most beneficial aspect of being a "colony" and that they were not prepared to challenge their international obligations on behalf of the economy of Palestine. In this case, while the Colonial Office attempted to help, the Foreign Office overruled it and the upshot was that Palestine suffered.

CHAPTER 3

INDUSTRY: ZIONIST DEVELOPMENT, ARAB FRUSTRATION

Throughout the 1920s, the British implemented certain strategies in order to support the development of the Jewish National Home. Thus, the government gave the Zionists vital concessions over raw materials and enacted trade measures to protect their growing industries. It also paid Jewish workers more than Arabs in order to enable them to have a European standard of living. The Arabs saw Zionists increasingly come to dominate the economy of the country. To them, the British seemed extremely biased in their economic decisions. While the government hoped that these measures would help develop the economy for both groups, the Zionists received the vast bulk of the benefits, to the growing resentment of the Arabs.

This section will look at the issues of industry, concessions, and labor. The protection afforded to Zionist industries allowed them to grow and absorb thousands of new Jewish immigrants, but this came at the expense of the Arab consumer and the country’s Treasury. While Zionist industries began to dominate the economy, it is important to note that Arab industry also grew during the 1920s and 1930s despite British neglect. Arabs were not necessarily against industrial development, but were profoundly opposed to the biased policies that allowed Jewish industrial power to dwarf their own.

This section will also examine how British tariff policies towards the Palestine Salt Company, Shemen Oil, and Nesher Cement all negatively affected the Arabs.

The history of the concessions proved that Arabs had been interested in the development of Palestine long before the arrival of the Zionists. Several Syrians had applied for the concession of the Huleh swamp and at least one Palestinian sought to mine for minerals in the Dead Sea. Many foreigners also wanted to exploit the few resources of the country. In the end, the British decided to give all the major concessions to Zionists as their interests and notions of development coincided. The government's position towards Arab labor additionally illustrates how biased the mandatory power was. In order to preserve Palestinian agricultural society and keep labor costs down, the government hindered the development of any Arab labor movement that could challenge traditional rural leadership and demand higher wages. The example of the wages for unskilled workers during the construction of Haifa harbor illustrates how the government still found a way to discriminate even when it became official policy to equalize the pay of Jews and Arabs.

Jewish and Arab Industry in Perspective

> It is evident that Arab industry cannot in the long run compete with the Jewish, where technical skill or the use of import raw material are needed. It seems to us inevitable that as the industrial enterprises and equipment of the [Jewish] National Home expand, so Arab industries will decline.[52]

The Ottoman government had tried to promote industry starting in the 1870s, but faced several obstacles. First, it suffered from corruption. Although laws had been established exempting machinery imports from tariffs and abolishing internal duties,

[52] *Report of Royal Commission* (HMSO: 1937), 91.

Donald Quataert makes the point that many of these laws were never enforced and tariffs were collected anyway.[53] Second, and most importantly, the capitulations prohibited the Ottomans from establishing a tariff policy that would protect domestic industries. Any pro-industrial policies during the late 19th century helped only Jewish and foreign entrepreneurs, who possessed the necessary capital to invest.

With very little actual support from the government to invest in industry, a great deal of the Arab elites put their money into land, which was normally a safer investment. A landowner could easily make money through rent, or if near the coast, through growing citrus. Nevertheless, a small but vibrant class of entrepreneurs called *Tujjars* emerged who, unlike the landed elite, made their money from commerce.[54] By the early 20th century, they had begun investing in industry and attempted to modernize along Western lines. One example is that of ‘Abd al-Rahman al-Nabulsi who invested heavily in soap, which he then exported to Egypt. Gad Gilbar emphasizes that these entrepreneurs played a limited, yet crucial role in the economic development of the Middle East despite the obstacles.[55]

Many of these industries were directly related to Palestine’s natural resources. Given the fact that Palestine’s main product was grain, flour mills were pervasive throughout the countryside. Olive oil presses were widespread throughout the Galilee and over a dozen soap factories existed around Nablus. Other industries focused on creating

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[53] Donald Quataert, “Ottoman Manufacturing in the Nineteenth Century,” in Donald Quataert ed., *Manufacturing in the Ottoman Empire and Turkey, 1500-1950 (*Albany: University of New York Press, 1994), 90-91.

[54] Gad G. Gilbar “The Muslim Big Merchant-Entrepreneurs of the Middle East 1860-1914”, *Die Welt des Islams* , New Series, Vol. 43, No. 1, (2003), 1-2. The term denotes a merchant who possessed a large amount of liquid capital. For a case study of this in Nablus, see Gad Gilbar, “Economic and Social Consequences of the Opening of New Markets: The Case of Nablus 1870-1914,” in Thomas Philipp and Birgit Schaebler eds., *The Syrian Land: Processes of Integration and Fragmentation* (Stuttgart: Steiner Verlag, 1998),

[55] Gilbar, “The Muslim Big Merchant,” 16-17.

ancillary goods for the main products such as cigarette packages and wooden boxes for citrus. Arab industrialists focused on small, labor-intensive industries that would cater to the Arab population.[56] In addition to the industries based on local resources, the presence of pilgrims helped to establish factories for souvenirs and mother of pearl carvings in Jerusalem and Bethlehem.

Arab industry during the mandate has been almost completely ignored by historians. In some regards, this is understandable. The Zionists kept meticulous records as it was necessary for the issuing of immigration permits to know how many more workers industries could absorb. The Arab economy lacked the cohesion needed for this kind of an undertaking. The British also failed to maintain accurate statistics. In 1927, the government carried out its only in-depth survey on industries, but this was greatly flawed because it relied on self-reporting. On top of that, the government refused to release the breakdown of industries by ethnicity.[57] With no other comprehensive survey to compare it with, it is hard to quantitatively approach the issue in regards to Arab factories.

Roger Owen admits that far less is known about Arab than Jewish industry. This lack of information though has led some to ignore the importance of Arab production. For example, Jacob Metzer only quickly glosses over the Arab sector, and even then, it is only in order to compare it with that of the Zionists. Sherene Seikaly adroitly points out that this sort of thinking allows "the divided economy narrative of modern Jewish industry versus rural, traditional Arab agriculture to proceed unchecked."[58] This trope

[56] Seikaly, *Haifa: Transformation of an Arab Society* (London: I.B. Tauris 2002), 94.
[57] For an analysis of the survey, see Nachum Gross, "Some New Light on the Palestine Census of Industries 1928," *Asian and African Studies Journal of Israel Oriental Society*, Vol. 13 (1979), pp. 264-275.
[58] Sherene Seikaly, "Meatless Days: Consumption and Capitalism in Wartime Palestine1939-1948," Ph.D diss., New York University, 2007, 11.

perpetuates the inaccurate generalization that Arabs had no interest in the development of the country. A proper analysis of Arab industry is therefore very hard to come by.

May Seikaly's book, *Haifa: Transformation of an Arab Society*, remains one of the few works to delve deeply into the realities of Arab industry. Throughout the mandate, Arab industry continued to grow, albeit at a far slower rate than that of the Zionists. She claims that Arabs continued to control several sectors of the economy, such as foodstuffs. Arabs owned most of the flour mills in the country, the largest of which was The National Palestine Flour Mills Co. Ltd which had a capital of £50,000.[59] Arabs also owned most of the chocolate and sweets factories.[60] Haifa became the center for several large Arab-owned tobacco manufacturers, the one major Arab industry that the British actively protected throughout the 1920s.[61] Due to the boom in the population of Palestine, Arabs began to produce building materials such as pipes, tubes, and nails. Between the end of World War I and 1928, Arabs started 1,373 factories, and from 1931 to 1937, opened 529 more.[62] Salim Tamari, citing the Peel Commission Report, argues that by 1936, the Arab economy included not just handicrafts, but a variety of factories hiring more than 5 employees.[63]

This is not to overstate the size or strength of Arab production. The negative industrial legacy of the Ottoman period and the attitudes of the conservative landed elites

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[59] Sa'id Himadeh, "Industry" in Sa'id Himadeh ed., *The Economic Organization of Palestine* (Beirut: American Press Beirut, 1938), 255. To put this into perspective, the largest Jewish flour mill, Grands Moulins, possessed £75,000 in capital.
[60] Ibid, 257.
[61] May Seikaly, "The Arab Community of Haifa, 1918-1936: A Study in Transformation," Ph.D. diss., University of Oxford, 1983, 120-127, see for a detailed account of Arab tobacco manufacturers in Haifa.
[62] David Horowitz and Rita HInden, *Economic Survey of Palestine* (Tel Aviv: Cooperative Press, 1938), 208.
[63] Salim Tamari, "Factionalism and Class Formation in Recent Palestinian History," in Roger Owen ed., *Studies in the Economic and Social History of Palestine in the Nineteenth and Twentieth Centuries* (Carbondale: Southern Illinois Press, 1982), 198-99.

continued to inhibit Arab industrial growth throughout the mandate. This was exacerbated by the British who discouraged Arab industrial investment. In the spirit of preserving Palestinian society, the government supported the policies of the landed elites of investing primarily in land and citrus in hopes that they would cooperate politically. The government's active support of the patronage system, despite its abuse of the fellaheen, was an essential strategy to preserve the status quo and societal stability. Large investments in industry on the other hand would encourage the creation of a large mass of urban laborers who no longer shared bonds with the landed elites and rural society. This would lead to a great deal of instability for the government. On top of that, the British envisioned industry as an economic sphere suited solely for the skills of the Zionists and dismissed the notion of Arab participation. Frustration among the Arabs grew as they saw a confluence between British policies and Zionist growth while their share of the economy continued to dwindle rapidly. Arab anger at the lack of British support was confirmed in the Hope Simpson report, one of whose recommendations was that the government should encourage Arab industry.[64]

During the Peel Commission hearings, the Arabs argued that the British had done little to protect their products from foreign competition, and instead, through licensing and registration fees, were forcing many small workshops to close. One industry hurt was *'arak,* a traditional alcoholic beverage of the Levant. The two largest sources of alcohol in Palestine were a large winery at the Jewish colony of Rishon LeZion, and dozens of small family owned *'arak* distilleries in Bethlehem. With alcohol production rapidly growing in the 1920s, the British sought to control the industry by increasing licensing

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[64] Cmd. 3686 Palestine. *Report on Immigration, Land Settlement and Development*, (Hope Simpson Report) (London: HMSO, 1930), 152.

fees. These fees were based on the alcoholic content and given that *'arak* contains a very high proof, the producers of it paid 50 mils whereas wineries paid 6 mils.[65] The Jewish winery could absorb the cost, but the small Arab workshops could not, and many of them shut down.

The government wanted to encourage the export of alcoholic beverages and introduced an excise tax on liquor meant for domestic consumption. Although the British did not purposely establish this in order to discriminate against Arab production, that is exactly what happened. The Jewish wineries had worked hard at marketing their product internationally ever since the early 20th century when Rishon LeZion was under the control of Baron de Rothschild. *'Arak* on the other hand was produced solely for domestic consumption, and therefore, the Arabs were disproportionately hit with the excise tax.

Another Arab industry hurt by British policies was mother of pearl carvings in Jerusalem. They had been a favorite of Christian tourists for decades, but during the mandate, foreign mother of pearl products labeled as Palestinian began being sold and started cornering the market. The government did not give the industry any protection until 1934.[66] Foreign competition, combined with onerous licensing fees, caused many of these small workshops to close. In 1936, Fuad Effendi Saba claimed that the "industry is nearly dead."[67]

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[65] Abraham Granott, *The Fiscal System of Palestine* (Jerusalem: Mishar ve-Taasia Publishing Company, 1935), 97.
[66] High Commissioner Wauchope, Jerusalem, to Secretary of State for the Colonies, 4 January 1934. CO 733/250/37235.
[67] Colonial No. 133 *Palestine Royal Commission: Minutes of Evidence Heard at Public Sessions* (London: HMSO, 1937), 330.

From the mid-1920s on, Jewish industry grew exponentially. Between 1929 and 1933, the Zionists started 913 factories, 353 of which were large-scale industrial undertakings with each employing over 10 workers. The number employed, production in pounds, and the amount of raw materials used, all nearly doubled within those four years.[68] With large capital infusions from wealthy Jewish immigrants in the mid-1930s, Jewish industry further expanded from 50% of the country's industrial production in 1927 to 60% in the early 1930s. By the late 1930s, it reached 72%.[69] In 1942, Jewish industries on average employed nearly four times the workers, used 15 times more horse power, and had five times greater production in pounds than those of the Arabs.[70] The growth of Zionist industries quickly surpassed that of the Arabs largely thanks to the dual policy of exempting imported raw materials from duties while increasing tariffs on foreign competition.

Sir Herbert Samuel and the Colonial Office continuously debated the role of government in developing the economy of Palestine. Devastated by World War I and seemingly centuries of neglect, the High Commissioner believed that Palestine desperately needed the support of the state in order to pursue industrial development. Samuel wanted to spend money on infrastructure and to promote industry actively by creating a special governmental commission to investigate what measures the government should take. The fiscally conservative Colonial Office disagreed. The promotion of industry was to be strictly limited to what the Arabs or Zionists could achieve on their own.

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[68] *Palnews Economic Annual of Palestine 1935* (Palestine News Service: Tel Aviv, 1935), 55.
[69] Jacob Metzer, *The Divided Economy of Mandatory Palestine* (Cambridge: Cambridge University Press, 1998), 154.
[70] Ibid, 157.

Samuel had taken a personal interest in large Jewish companies and was instrumental in drastically reducing tariffs on raw materials and machinery. He asked for the exemptions as early as 1921 while arguing that the establishment of Jewish industries would create economic prosperity for all living in Palestine and therefore lead to the Arab acceptance of Zionism.[71] The Colonial Office refused because this would negatively affect state revenues, which depended greatly on customs duties.

In 1924, Samuel again approached the Colonial Office with a list of goods he claimed, if exempt from duties, would immediately lead to the creation of new factories.[72] The Colonial Office accepted this list, reasoning that it would help streamline inconsistent tariff laws left by the Ottomans, assuming this would be a one time event.[73] The government in London thus created a draft Customs Duties Exemption Ordinance of 1924 that was limited in scope. The Zionist Organization and the High Commissioner constantly lobbied the government until it was eventually greatly expanded. Sir John Shuckburgh said about the ordinance that, "the cloven hoof of 'protection' appears in paragraphs 5 and 10… the excuse for a departure from fiscal propriety is that it is such a little one."[74] What started out as an exception to the rule soon became the rule, as Zionist industries began applying for exemptions the following year. By the late 1920s, London had granted hundreds of exemptions because of constant pressure from Jerusalem and Zionist organizations such as the Economic Board for Palestine. In addition to exemptions, the government also began instituting higher tariffs on imported goods in order to protect these industries.

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[71] Seikaly, *Haifa in Transformation*, 84.
[72] Barbara Smith, *The Roots of Separatism in Palestine: British Economic Policy, 1920-1929* (Syracuse: Syracuse University Press, 1993), 164.
[73] Ibid, 165.
[74] Ibid.

The changing atmosphere of the late 1920s led to a greater impetus by both the government of Palestine and the Zionists to push for greater exemptions and protection against foreign goods. Zionists realized that industry could help absorb a greater number of immigrants. The government in Jerusalem, sick of the Zionists blaming it for not sufficiently supporting the Jewish National Home, saw the encouragement of industry as an easy way to placate them. The growth of Zionist land holdings was already greatly aggravating the Arabs and industry seemed to the government as a solid nonpolitical sphere to encourage Zionist investment. While industry never matched the ideological or nationalist significance of the Zionist notion of 'conquest of the land', it became a very valuable avenue for further growth. By 1936, industries employed 30,400 Jews, from 4,750 in 1921.[75]

In addition to this, the immigrants of the late 1920s and mid 1930s were wealthier and more urban than their predecessors. The Russian immigrants of the late 19th and early 20th century were poor and came to Palestine with socialistic ideals of returning to and conquering the land. The new immigrants were members of the Polish and German bourgeoisies fleeing their homes for political or economic reasons. The government understood the importance of this new class of immigrants. It believed that supporting the growth of Zionist industries would solve multiple problems. In addition to meeting the obligations towards the Jewish National Home, a large industrial boom would lead to an improved economic situation for the Arabs as well. Overall, the hope was that with the creation of greater prosperity, the Arabs would finally come to terms with Zionism. Instead, British policies granting Zionist industries exemptions on the

[75] Roger Owen, "Economic Development in Mandatory Palestine," in George Abed ed., *The Palestinian Economy* (New York: Routledge), 1988, 23.

importation of resources and heavily taxing foreign competition only helped to strengthen the Zionist position while greatly hurting the standard of living of most Arabs.

The Arabs had two arguments. First, exemptions caused a loss to revenue which in turn prohibited the government from spending money on the development of their sector. Second, high protective tariffs raised the cost of living for the Arab consumer. The Arab community unswervingly complained about the exemptions and high protective tariffs for Jewish industries, though none of the commissions and reports ever considered this to be on the same level as the major grievances of land sales and immigration. In 1929, a coalition of Arab Chambers of Commerce sent High Commissioner Sir John Chancellor a letter complaining that the government was "protecting the industries of a few Jewish capitalists at the expense of a higher cost of living to the majority of the inhabitants."[76] That same year, the first Arab Economic Congress was held with prominent Arabs from the commercial, industrial, and financial sectors. They demanded that high tariffs, like the one on cement, be reduced.[77] The Arab newspapers of *al-Karmil* and *al-Yarmouk* regularly lampooned British industrial policies.[78]

Several meetings of the Peel Commission in 1936 focused on industry and tariffs. In his statements on how the government's policies were inherently biased towards the Jews, 'Awni Bey 'Abd al-Hadi said that the high tariffs adopted in order to grow Jewish industries hurt the Arabs since they, as consumers, would have to pay higher prices while they received none of the benefits. He also alluded to the fact that Zionist industries took

[76] Seikaly, *Haifa: Transformation,* 86.
[77] Report on Arab Congresses. Enclosed in Consul General P. Knabenshue, Jerusalem, to Secretary of State, 19 December 1929. Records of the United States Consulate in Jerusalem, Palestine, Confidential Correspondence, 1920-1935 (Record Group 84). Reel 3, 232-238. The group also declared their intention of opening factories to compete with Zionist products. During the discussion, the participants realized that the policies they were preparing to denounce would greatly help them, but they voted against high tariffs in the end.
[78] Seikaly, *Haifa: Transformation,* 86

advantage of the government's general acquiescence in these appeals during the late 1920s. "As soon as any small manufacturer who has a couple of hands working in his factory makes an application to Government for protection, then a prohibitive tariff is levied in order to protect that industry."[79]

Fuad Effendi Saba, an accountant and member of the Arab Higher Executive, argued that a high tariff policy was not sustainable in an agricultural country like Palestine. He claimed that tariffs were appropriate for an industry for a few years as long as it did not hurt the population.[80] By the mid-1930s, the government was still protecting large industries like Nesher Cement which originally received protection a decade earlier. Saba said that the companies were making excessive profits off the back of the consumer and therefore protective tariffs should be abolished after a few years of their implementation. Industries established on an economic basis would survive, whereas those which did nothing but drain money from the consumer and the government would die out. Given the fact that Palestine had no natural resources, most Zionist industries would fold without the protection of tariffs and exemptions. The Arabs also complained that by subsidizing Jewish industries, the government was tacitly supporting further Jewish immigration, the largest Arab grievance.

Government commissions seem to validate the complaints of the Arabs. The Hope Simpson Report of 1930 agreed that the protective measures for Jewish industries did indeed raise costs for the consumer. A 1936 governmental memorandum on customs duties claimed that when raw materials were exempt, the revenue of the state suffered

[79] *Royal Commission Minutes*, 306.
[80] Ibid, 329.

and when protective duties were implemented, the consumer suffered.[81] Furthermore, given that many of the protective duties were on items of common use and not luxury goods, the cost of living affected the poorer consumers disproportionately.[82] It went on to question if the protective measures were even worth the loss of revenue. By 1936, what was clear was that large Zionist factories such as Shemen and Nesher were turning large profits and that the "protection afforded to the Company [Nesher] accrues largely to the shareholders of the company…"[83]

Zionists on the other hand contended that Jewish industries hired Arabs. In 1935, Jewish industries employed 1,800 Arabs.[84] In addition to the large public works projects and construction jobs, employment in Zionist industries encouraged destitute fellaheen to migrate to the cities. Many industrialists could not pass up the opportunity to hire much cheaper Arab workers, although the push by Histadrut, the largest Jewish labor union in Palestine, for the exclusive use of *Avoda Ivrit*, or Hebrew labor, led many factories, such as Shemen Oil, only to employ Jews throughout the 1920s and 1930s. Arabs were also paid far less than Jews. Sometimes, companies would use Arabs for unskilled jobs and Jews for skilled and semiskilled ones, thus avoiding blatant discrimination which would greatly anger the Arabs. Even skilled Arab laborers faced discrimination in wages, though the disparity between them and their Jewish counterparts was far less than for unskilled Arab labor. (See Table 1.) Overall, the jobs given to Arabs did not outweigh the costs of Zionist industrial growth to the Arab consumers and agriculturalists who subsidized it.

[81] Colonial No. 133 *Palestine Royal Commission: Memoranda Prepared by the Government of Palestine* (London: HMSO, 1937), Vol. 2, 5C, 32.
[82] Ibid, 38.
[83] Ibid, 32.
[84] Metzer, *The Divided Economy*, 130-31.

Table 1. Wages for Skilled Labor 1929. CO 733/165/67049.

Average Wages paid to Skilled Labor 1929 per 9 hour day		
	Non-Jews mils	Jews mils
Stone dressers	460	530
Masons	475	500
Plasterers	410	425
Painters	350	400
Carpenters	445	485
Blacksmiths	360	460
Mechanics	425	475

Palestine Salt Company

The government of Palestine often supported protective measures for industries that seemed to be economically unsustainable. In 1922, the Palestine Jewish Colonization Association, or PICA, which created the Palestine Salt Company, was given a concession to produce salt from evaporation pans as a reward for carrying out the draining of the malaria infested Athlit marshes.[85] This decision went against the goals of the Colonial Office, which had abolished the Ottoman Salt Monopoly in 1921 partly in response to Arab demands. The government in essence simply transferred control of the salt market from the Ottomans to the Zionists. The decision to award the concession "to a Jewish company, by a Jewish High Commissioner, and signed on behalf of the administration by

[85] Warwick Tyler, *State Lands and Rural Development in Mandatory Palestine, 1920-1948* (Portland: Sussex Academic Press, 2001), 132.

Colonel Solomon, a Jew… invited charges of favoritism."[86] Already the new system of salt production was off to a bad start.

The PSC faced stiff competition from legal and illegal sources. Salt prices in Palestine remained unaffordable for the fellaheen, and given that it was an essential part of their diet, smuggling from Transjordan and Egypt became a lucrative profession cutting into the profits of the PSC. The greatest threat to the PSC though was salt legally imported from Egypt. By 1925, the company was in horrible financial shape. Even though the government was buying up over half of its entire product, the company lost over £P2 million that year.

In 1906, the two largest Egyptian salt producers, the Port Said Salt Association and the Egyptian Salt and Soda Company had merged to form the United Egyptian Salt Company in order to dominate the Egyptian market. Though officially they did not possess a monopoly, the government provided the UESC with favorable production policies. Since it also possessed an enormous amount of resources, the UESC became a regional juggernaut during the 1920s and 1930s. Its scale of production made it much more cost efficient than the PSC. For example, it cost the UESC only .5 piastres per ton to grind salt whereas it cost the PSC ten times that amount.[87] Even with a quasi-monopoly on domestic production, the PSC was being undersold and losing its home market to the Egyptians.

In 1926, the company petitioned to the government for protection. There had been no excise tax or a protective tariff on salt since the Salt Ordinance of 1925, which abolished the Ottoman laws regarding salt. Therefore, the market price that the PSC

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[86] Ibid, 132-33.
[87] High Commissioner Lord Plumer, Jerusalem, to Secretary of State for the Colonies, 27 January 1927. CO 733/135/44178.

received was at the mercy of Egyptian and smuggled salts. Starting in 1926, the government contemplated adding an excise tax on domestic production for the purpose of revenue, but coupled with a duty on foreign salt to protect the local industry. Lord Plumer planned to implement a £1 per ton protection for PSC through a £3 per ton duty and £2 per ton excise tax.

Sir Robert Waley-Cohen, the director of the Economic Board of Palestine, a London-based advocate for Zionist industries, wrote saying that the £1 per ton protection was not nearly enough and that it would result in "the extinction of the company."[88] He wanted to double the protection. According to a memorandum from the company and letters from the Economic Board of Palestine, the PSC only had the potential to become economically viable if it were vigorously protected by the administration. The company said that in time, it would produce salt as efficiently as the Egyptians and blamed current problems on a leaking reservoir that it said the Egyptians had also faced when their company was young.[89]

Several officials within the Colonial Office disagreed on the optimistic prospects of the company and believed that the PSC was bound to fail no matter how much protection the government granted it. The PSC's domination over domestic production would be over in 1927 and there were then to be at least two new domestic salt producers. The government granted Shukri Deeb and Company the concession to the rock salt at Jebel Usdum, just south of the Dead Sea and home to the famed pillar of salt known as Lot's Wife. In addition to that, Moshe Novomeysky's mining in the Dead Sea was also to

[88] The Economic Board for Palestine, London , to Secretary of State for the Colonies, 4 April 1927. CO 733/135/44178.
[89] Memorandum on the Palestine Salt Company, Sir Waley-Cohen, 13 March 1927. Enclosed in Sir Alfred Mond, London, to Leo Amery, 25 May 1927. CO 733/135/44178.

lead to a new source of salt. Through the process of extracting the potassium chloride, salt would be a byproduct.[90] Officials stated that it seemed that the PSC and its supporters were so obsessed with competition from Egypt that they utterly failed to acknowledge the increasing threat from domestic sources. A. J. Harding claimed, "… the company is clearly an uneconomic concern and the longer it is bolstered the worse its fall will probably be."[91] On top of that, other regional salt companies were chomping at the bit to gain access to the Palestine market. One of these, a company from Cyprus was just waiting for an opening, and given the proximity, would have had no problem in transporting the salt to Palestine.

Even with these dire predictions from several very sympathetic sources, Lord Plumer decided to prop up the company. In June of 1926, he had planned on increasing the protection to 500 mils per ton. By Early 1927, it was to be £1 per ton. Later in the year, the High Commissioner added protection by lowering the excise tax to £1.500 mils, thereby giving the company a protective tariff of £1.500 mils.[92]

In essence, the government granted the PSC generous protection out of a sense of obligation to the fact that PICA was draining the swamps and therefore wanted the company to survive. The Arabs had initially protested the concession because of the favoritism towards the Zionists, but after 1927, continued to object to it because the government had stepped in and financially protected the company at the cost of the consumer. During the Peel Commission hearings in 1936, Fuad Effendi Saba stated that the high rate of duty on imported salt hurt all Arab consumers, but particularly the poorer

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[90] A. J. Harding, Minutes, 2 May 1927. CO 733/135/44178 .
[91] A. J. Harding, Minutes, 3 March 1927. CO 733/135/44178.
[92] Sir Robert Waley-Cohen, London, to Under Secretary of State for the Colonies, 14 November 1927. CO 733/135/44178. Waley-Cohen wrote that anything short of £2 would not be enough and that there are "grave doubts whether this protection will suffice to enable the company to survive."

ones.[93] The PSC survived, limping along throughout the 1930s until it stabilized with the onset of World War II. The example of the PSC shows that the Arabs were upset at the British for squandering resources for the benefit of Zionist industries which seemed to be destined for failure as well as raising the cost of living for the consumer.

Shemen Oil

The fact that Shemen Oil directly affected Arab soap producers, olive oil manufacturers, and Arab farmers of olives and sesame seeds, makes the company and the protection the government granted it unique. There usually was no overlap or competition between Jewish and Arab products, but Shemen was an exception as it made soap and oil-based products which challenged the long standing soap and olive oil production of Palestine. Protection provided by the government allowed Shemen to grow exponentially and undersell Arab soap. To make matters worse, Shemen used the exemption from duty on the import of sesame seeds and olive oil to undercut the ability of the Arab peasants to sell their goods.

The Nablus soap industry had flourished throughout the 19th century given the unique geography of the area. The basic ingredient, olive oil, flourished in the central highlands, while *qilw*, the ashes of the barilla plant and a main ingredient of the alkaline sodium compound in soap, was obtained from Bedouins from across the Jordan River.[94] During the mandate, the industry began to suffer. Egypt, the main market for Palestinian soap, imposed extremely heavy duties on it. In addition to this, the Nabulsi brand

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[93] *Royal Commission Minutes*, 333.
[94] Beshara Doumani, *Rediscovering Palestine: Merchants and Peasants in Jabal Nablus, 1700-1900* (Berkley: University of California Press, 1995), 187. See for the process of procuring *qilw*.

possessed no legal protection, which encouraged cheap counterfeits.[95] During the 1920s, worldwide soap manufacturers started using caustic soda instead of *qilw*, making production cheaper everywhere. Furthermore, traditional methods of production such as animal power still used by Arabs could not compete with the duty free electric driven industrialized machinery imported by the Zionists. In 1929, Jaffa had 12 soap factories, but the number dropped to four by 1936.[96]

To protect Shemen, the government increased custom duties on imported laundry soap which could compete with Shemen products from 15 per cent ad valorem to £7 per ton, around 23 per cent ad valorem and then to £10 per ton in 1927 and 1929, respectively.[97] At the same time, the duties on all edible oils were increased by at least 20%. The government went further than just protecting Shemen from foreign competition, and exempted from duty the importation of all seeds used in the production of oil. When it opened, Shemen already possessed nearly the same amount of capital as all 24 Nabulsi factories combined.[98] The protection of the government helped further increase the company's economy of scale in the late 1920s.

The activities of Shemen hurt other sectors of the Arab economy as well. The exemption of duties on sesame seeds hurt the Arab agriculturalists. Shemen claimed that the local product was of an inferior quality and therefore imported large quantities from

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[95] Véronique Bontemps, "Soap Factories in Nablus: Palestinian Heritage (turâth) at the Local Level," *Journal of Balkan and Near Eastern Studies*, Vol. 14, No. 2 (May., 2012), 3-4.
[96] Sonia Fathi el-Nimr, "The Arab Revolt of 1936-1939 in Palestine: A Study Based on Oral Sources," Ph.D diss., University of Exeter, 1990, 32.
[97] M. F. Abcarius, *Palestine through the Fog of Propaganda* (New York: Hutchinson & Co. Ltd, 1946), 167.
[98] Sarah Graham-Brown, "The Political Economy of the Jabal Nablus: 1920-48," in Roger Owen ed., *Studies in the Economic and Social History of Palestine in the Nineteenth and Twentieth Centuries* (Carbondale: South Illinois University Press, 1982), 139.

abroad, particularly China.[99] In 1930, the British finally investigated this claim and found that this allegation was completely unfounded.[100] At the same time, Shemen benefitted from olive oil from Syria that entered duty free. In the manufacturing of some olive oil, the company imported low quality oil from Syria, refined it, and then sold it back in Syria for a profit. By bypassing or by limiting relations with the Palestinian economy, Shemen further injured an already crippled domestic oil market. While many peasants of Palestine were affected, hundreds of fellaheen in the village of Rameh, who depended on the sale of their olive oil, went bankrupt.[101] Ironically, this occurred around the same time that E. R. Sawer and the Department of Agriculture were encouraging Arabs in the central highlands to shift from grain to olives.[102]

Partly because of Shemen's use of imports and refusal to use local goods, the local olive oil market nearly collapsed in 1930. Arab olive growers continuously petitioned the government to change its policy of protectionism towards Shemen. One read, "Shemen is importing duty free seeds…it mixes these seeds with olive oil and sells the produce for very cheap prices… Shemen is making it impossible for us to sell our pure oil."[103] In response to this petition, the government met with representatives of the

[99] Nahla Abdo-Zubi, "Colonial Capitalism and Rural Class Formation: An Analysis of the Process of Social, Economic and Political Change in Palestine 1920-1947," Ph.D. diss., University of Toronto, 1989, 193-194. Abdo-Zubi claims that even with the exemption, the sesame from China was more expensive than the local product. She claims Shemen's decision was meant not to benefit the company but devastate the Arab farmers.

[100] Memorandum for Executive Council with Regard to Certain Proposed Changes in the Customs and Excise Tax. Enclosed in High Commissioner Chancellor, Jerusalem, to Secretary of State for the Colonies, 15 February 1930. CO 733/189/77155.

[101] Abdo-Zubi, "Colonial Capitalism," 181.

[102] Barbara Smith, "British Economic Policy in Palestine towards the Development of the Jewish National Home," Ph.D. diss., University of Oxford, 1983, 352.

[103] Abdo-Zubi, "Colonial Capitalism," 182.

peasants who walked out once they discovered that the meeting was to be chaired by the head of Shemen.[104]

With protection against foreign soaps and oils and exemptions on importing sesame seeds and olive oil, Shemen was able to establish itself and flood both the Jewish and Arab marketplaces with cheap oil and soap products. It even began selling an edible oil that replaced *samna,* the traditional Arab cooking fat.[105] While wealthier Arabs could still afford to use the more expensive Nabulsi soap, the fellaheen were forced to buy cheaper brands.[106]

It must be noted that starting in 1931, the government began to increase duties on imported seeds and oils in order to protect Arab agriculture. By then though, it was too late to have a very large impact. Many fellaheen had been ruined by Shemen's policies during the 1920s. On top of that, the company was already sufficiently large enough to flood the Arab market and, to the chagrin of Arab and other Zionist oil producers, still played a significant role in dictating British tariff policies.[107] In essence, as May Seikaly concludes, the tariff policy was not reversed, but, "…exceptions were made in order to prevent detriment of the agricultural community and impoverishment of the Arab sector."[108]

Shemen was undoubtedly a factor in the decline of Nabulsi soap, but the industry had been suffering throughout the 1920s, and Jewish competition was not the sole reason. The fact that British policies to a great extent provided for Shemen's success made the

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[104] Ibid.
[105] Seikaly, "The Arab Community of Haifa," 132.
[106] Abcarius, *Palestine through the Fog*, 167-68.
[107] Extract from Minutes of the 44th Meeting of Standing Committee for Commerce and Industry, 28 June 1933. Enclosed in High Commissioner Wauchope, Jerusalem, to Secretary of State for the Colonies, 3 March 1934. CO 733/250/37235.
[108] Seikaly, "The Arab Community of Haifa," 118-19.

company the largest symbol of the failings of the Arab sector and signified the confluence between British and Zionists goals.

Nesher Cement

With the Jewish National Home completely dependent on the ability to attract and house new immigrants, the Nesher Cement factory in Haifa became one of the cornerstones of Zionist industry, not only because of its ability to employ Jews, but the significance cement had in construction. Founded in 1923 with an initial investment of £225,000, Nesher became the largest private company in Palestine.[109] The company first approached the government about exemptions from duty several months before starting production in 1925. The government made no changes given the lack of information regarding the price of Nesher cement and the impact that increasing the tariff on foreign cement from 20 piasters a ton would have on the consumer.

Armed with the appropriate information, the company again petitioned the government in 1927. It claimed that although Nesher was producing a high-quality product at a decent price, it failed to conquer the Palestine market because of the high cost of rail transport and the deleterious effect of foreign dumping on prices.[110] The company claimed that the common practice of countries which possessed a cement industry was to raise foreign tariffs, thus allowing their company to dominate the home market and then dump the remaining product on countries which lacked tariffs. Michael Polack, the president of the company, specifically pointed out the impact of Yugoslavian cement which received a subsidized rate on shipping costs. The company then dumped its

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[109] Deborah Bernstein, *Constructing Boundaries: Jewish and Arab Workers in Mandatory Palestine*, (Albany: State University of New York Press, 2000), 104.

[110] The government never liked the idea of lowering the cost of rail transport. The Government of Palestine had paid the British government dearly for the rail system and wanted to protect its profits at all costs.

product in Palestine, thereby causing the costs of cement to plummet.[111] Because of this, Nesher lost money in 1926. It wanted the tariff to be raised to 80 piastres a ton and argued that, in the long run, this would not hurt the consumer at all. He claimed that the strategy of the Yugoslavian cement company was to crush Nesher with low prices, and then dramatically raise prices when the competition was removed.[112]

Lord Plumer sympathized with the industry and proposed, it seems somewhat arbitrarily, to raise the tariff to 50 piastres. The Palestine Economic Board rebuked the High Commissioner and stated that while 80 piastres seemed excessive, 50 would not achieve the desired goal.[113] It claimed that a tariff of 60 piastres for 10 years would allow the company to compete. At the end of 1927, the government did indeed implement a 60 piaster duty. This level of protection proved insufficient to aid the company, and in 1929, the government raised the tariff to 85 piastres to address competition from Italian cement.[114] During the 1930s, the company began making large profits and was able to enlarge the factory. In 1935, Nesher produced 300,000 tons of cement compared to 51,000 tons in 1926.[115] Sir Hope Simpson stated,

> The sole good reason in favour of the tariff is that it enables the Company to employ 260 Jews… and 130 Arabs… This argument is not convincing to the purchaser… who ultimately has to pay the protective duty in the price of his cement.[116]

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[111] Portland Cement Company "Nesher" Ltd., Haifa, to High Commissioner. Memorandum on the Cement Industry in Palestine, 17 February 1927. CO 733/140/44438. Polack emphasized the fact that while Yugoslavia dumped £69,000 worth of cement on Palestine from 1922-1925, the country imported only £58 of all Palestinian goods during the same time period.
[112] Ibid.
[113] Sir Robert Waley-Cohen, London, to Sir John Shuckburgh, 9 June 1927. CO 733/140/44438.
[114] *Royal Commission Memoranda*, Vol. 2, 5C, 31.
[115] Portland Cement Company "Nesher" Ltd., Haifa, to High Commissioner. Memorandum on the Cement Industry in Palestine, 17 February 1927. CO 733/140/44438. *Royal Commission Memoranda*, Vol. 2, 5C, 31.
[116] *Hope Simpson Report*, 109.

The tariffs on cement occasioned the largest complaints from the Arabs not only because the protection lasted well over a decade, but because the rise in the use of cement also challenged Arab laborers. Cement replaced stone in construction, which led to the unemployment of many skilled Arab stone masons and stone-dressers.[117] It also greatly affected the owners of stone quarries, most of whom were Arabs. Nesher and its cement signified the Zionist domination of construction at the expense of the Arab worker and consumer.

Concessions

By 1936, the Zionists controlled almost all the few natural resources Palestine possessed. They had gained some of the most fertile land in the country through land sales such as the one involving the Jezreel valley in the 1920s, which helped solidify the continuity of the so-called ‘N’ shape settlement pattern. Other land purchases were concentrated along the Mediterranean coast to an extent that by the mid-1930s, Zionists owned more citrus groves than Arabs. In addition, the government granted Zionists the vital resources of the Dead Sea, hydro-electricity of the Jordan River, and the Huleh Valley.

The concessions drew the ire of many members of the British parliament and they questioned the wisdom of giving a minority such an economic advantage, especially when the mandate had been established to protect the interest of all the residents of Palestine. Of course, the loudest voices of discontent came from the Arabs, who vigorously protested these concessions through boycotts, strikes, petitions, and the presses. Leading Arabs brought these complaints up during the 1929 Commission

[117] Ibid, 133.

hearings, but the subsequent report dismissed them.[118] It responded by claiming that the development of these resources would help bring jobs and further development to the country regardless to whom the concessions were given. During the Peel Commission, Jamal Bey al-Husayni used the concessions as evidence that the British had ignored their obligations to the Arabs in favor of the Balfour Declaration.

The histories of all three concessions are very complex and span both the Ottoman and the mandate periods. In the late 19th century, the Sultan allowed entrepreneurs to apply for various concessions for construction projects and resources. The government granted concessions for building railroads, most notably the Hijaz and the Jerusalem-Jaffa railways. While many of the concessions throughout the empire were given to foreigners, several in Palestine were given to Ottoman citizens. In 1913, Mehmed V granted three Ottoman subjects a concession to mine for bromide in the Dead Sea. That same year, he granted Euripides Mavrommatis multiple concessions to provide water and electricity to Jaffa and Jerusalem. Other Ottomans, including several Palestinians, had been attempting to acquire their own concessions. This section will focus on the competition for the previous few concessions, how the British eventually decided to give them all to the Zionists and how the development of these resources affected the Arabs.

The Rutenberg Concession

> Rutenberg's poles are nothing but guillotines. In Rutenberg's scheme is the foundation of The National Home. In Rutenberg's scheme is our slavery.[119]

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[118] Cmd. 3530 *Report on the Commission on the Palestine Disturbance of August, 1929* (Shaw Commission Report) (London: HMSO, 1930), 132-33.
[119] Barbara Smith, "British Economic Policy," 237.

No single project signified the development of Zionism in Palestine during the 1920s as much as the Rutenberg concession. Pinhas Rutenberg, a Russian Jew, had lived in Palestine since 1906 and had helped the British government survey the northern border with Syria. He was greatly influenced by his training as an engineer and his time along the Jordan River and Lake Tiberias. By 1917, he had developed a plan for hydroelectric stations which would power all of Palestine. The Zionist Organization quickly approved of the proposal as it would not only lead to increased Jewish employment and therefore immigration, but widespread electricity would help to boost production in the Jewish colonies.[120] Although the eventual concession greatly disappointed Rutenberg in its actual scope, it was more than enough to give the Zionists a pivotal economic advantage.

Rutenberg originally sought to exploit the waters of all the rivers in and around Palestine including those in Lebanon, but his dreams were quickly shattered. The French would not give him the Litani, and several of the major tributaries of the Jordan fell outside of Palestine. The British also limited his access to land in Transjordan and refused to allow him to sell energy there. Nevertheless, Rutenberg was able to successfully monopolize the water within Palestine. His scheme was broken down into two parts granting him exclusive access to both the ‘Auja River (Yarkon) and the Jordan River. The government also promised to annul any previous concession which might interfere. The ‘Auja scheme was approved in 1921 and the Jordan River five years later. During the 1920s, Rutenberg quickly built power plants to serve Tel Aviv and Haifa, providing Zionist industry with much needed power. Progress on his plant at the confluence of the Jordan and the Yarmouk moved more slowly because of negotiations,

[120] Sara Reguer, “Rutenberg and the Jordan River: A Revolution in Hydro-electricity,” *Middle Eastern Studies*. Vol. 31, No. 4, (1995), 694.

but it opened in 1932. Throughout this entire process, the British continued to believe that the Rutenberg concession would help unite Jews and Arabs in Palestine.

With a political compromise between the British and the Arabs floundering throughout the 1920s, the hope was that economic development spurred by Zionist investment would improve Arab attitudes towards Zionism. Sara Reguer claims that the 1921 Jaffa Revolt only strengthened this view. The British hoped that quick economic development would diffuse tensions. Though apprehensive of Zionist political objectives, the government increased support for Jewish economic development. Shuckburgh wrote,

> …We are always trying to divert the attention of the Zionists from political to industrial activities, and preaching to them… that their best chance of reconciling the Arabs to the Zionist Policy is to show them the practical advantages accruing to the country from Zionist enterprise. For these reasons we have supported and encouraged Mr. Rutenberg's projects and I submit that we must continue to support and encourage them…[121]

To assuage the fears of the Arabs, Rutenberg publicly played down his connection to the Zionists. He distanced himself from the Zionist organizations and continuously preached how his scheme would become a symbol of Arab-Jewish unity. British officials even repeated this theme during parliamentary debates on the issue, although it was impossible for Rutenberg to hide his strong Zionist tendencies. He was one of the cofounders of the Haganah and the vast majority of his funding came from various Zionist organizations. He also successfully set up a separate holding company so that the Palestine Electric Company would always remain in Zionist hands.[122] For its part, The Zionist Organization used all of its pull to promote the scheme. In 1921, Prime Minister

[121] Smith, "British Economic Policy," 240.
[122] Ibid, 244.

Lloyd George asked Dr. Weizmann what he wanted in the way of immigration. Instead of a number, Weizmann responded with a demand for the Rutenberg concession.[123]

The scheme received a great deal of help from British officials as well, the two most prominent being Sir Herbert Samuel and Winston Churchill.[124] Understanding that there would be opposition to the concession, Samuel kept all the negotiations private. After 1921, he became more apprehensive of the project as he wanted the Arabs to consent to it. Winston Churchill was the one who eventually convinced Samuel that Arab approval, which would never be forthcoming, was not necessary to advance the concession. In the end, the High Commissioner agreed to many of the far-reaching clauses of the scheme, such as the right to expropriate land. Churchill also staunchly defended the scheme in London and he fought for it against vehement opposition in parliament. He not only defended Rutenberg's character, but he won over his detractors by explaining what the project meant for Palestine's development and the importance of keeping Britain's pledge to the Zionists.[125]

The concession was extremely far-reaching. Rutenberg was granted exclusive rights to the waters of the ‘Auja and the Jordan, therefore blocking any future Arab development of the region. On top of that, he was allowed to expropriate Arab land if it was needed for his development. The terms of the concession greatly constrained the power of the municipalities. Thus, when the Jaffa municipality asked for access to the ‘Auja River for electricity, the government said no.[126] The archives prove that before

[123] Reguer, “Rutenberg and the Jordan,” 703.
[124] Gilbert Herbert, *In Search for Excellence: the Architecture and Building Projects of the Electric Industry in the Land of Israel 1921-1942*, (Jerusalem: Keter Publishing, 2003), 15. Herbert Samuel became the Chairman of the Palestine Electric Company in 1935.
[125] Reguer, “Rutenberg and the Jordan,” 711-12.
[126] Smith, “British Economic Policy,” 247.

approving any new project, the Colonial Office had to consider whether or not it would violate the concession. The Arabs understood that with a monopoly over water access and electricity, the Zionists had gained the upper hand in the Palestinian economy. Arabs in Jaffa and Haifa protested, boycotted Jewish goods, and even sent a delegation to London to express their grievances. While Arab protests to the concession were mostly ignored by the government, the anger was palpable. The Arab Higher Committee and the Muslim-Christian Society of Nazareth both sent angry letters to the High Commissioner. The Arab presses exploded with anger.[127] One article in *Filastin* stated that Rutenberg, "is intent on taking our land… getting hold of our resources and denying us everything that is rightfully ours."[128]

While a success for Zionism, the concession left the Colonial Office and the government of Palestine with a black eye. Not only had it provoked the Arabs, but the international community derided the government's favoritism towards Rutenberg in context of the Mavrommatis concession. Euripides Mavrommatis, a "concession hunter,"[129] received one from the Sultan for the generation and distribution of hydroelectricity in Jerusalem right before the outbreak of World War I.[130] Due to the war, the scheme remained in abeyance. In order for this concession to be economically viable, Mavrommatis needed access to the 'Auja River, but Rutenberg's concession blocked this.

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[127] Ibid, 247-48.
[128] Michael Bracy, *Printing Class: 'Isa al-'Isa, Filastin, and the Textual Construction of National Identity, 1911-1931* (Lanham: University Press of America, 2011), 98.
[129]Publications of the Permanent Court of International Justice, Series C, *Acts and Documents Relating to Judgments and Advisory Opinions Given by the Court, Fifth Session-1, The Mavrommatis Palestine Concessions*. Part III, Speeches and Documents Read before the Court, Sir Cecil Hurst's speech, 15 July 1924, 21.
[130] In fact, he received a concession along similar terms for Jaffa as well, but the British refused to recognize it given that it was granted in January 1916, after the outbreak of the war and was not protected under international law. Even though the Mavrommatis concession takes up many volumes of the Colonial Office Correspondence, it has unfortunately received very little attention from historians. Barbara Smith is one of the few to discuss it and even she only passingly refers to the issue and only in context of the Rutenberg concession.

Mavrommatis tried through several meetings with Rutenberg to come to an agreement, but the latter refused and would only offer to buy him out with a paltry sum. For its part, the Colonial Office fully supported Rutenberg and prevented Mavrommatis from redeeming his concession by delaying communications and exploiting minute technicalities in the text of the contract.[131] Utterly frustrated, Mavrommatis sought the aid of the Greek government. Under the aegis of a state, Greece took Great Britain to the International Court of Justice in 1924 and 1925. Mavrommatis, fully understanding that the British would not allow him to proceed with the concession, wanted compensation. While these cases mostly revolved around whether or not the court had jurisdiction, the court eventually struck down Rutenberg's ability to annul previously granted concessions, denied Mavrommatis compensation, and ordered that the British allow him to fulfill his scheme. The British still had no intention of allowing Mavrommatis to make any progress. With it publicly known that the government opposed him, Mavrommatis quickly lost all his financial backing. In 1928, he eventually sold his concession to the Zionist owned Jerusalem Power Company, therefore ensuring Zionist control over the entire Palestine power grid. The negative international publicity from the Mavrommatis case caused Sir John Shuckburgh to call the Rutenberg concession "a European scandal."[132]

Barbara Smith questions the economic importance of the Rutenberg concession and claims that it was more about the symbolism of Zionism. She argues that since Rutenberg did not receive as much of the concession as he wanted, this limited the scope

[131] For the entire story of how in 1926-27 the British manipulated the text of the rewritten concession to stymie Mavrommatis, see the "Official Translation of the Greek Government's Case, in the Matters of the Re-adaption of Mavrommatis' Concessions." Enclosed in Lancelot Oliphant, London, to The Earl of Granville, 23 July 1927. CO 733/131/44040.
[132] Smith, *Roots of Separatism,* 124.

of his production and that his exclusive claim to the Jordan precluded irrigation in some Jewish colonies.[133] While Smith makes some valid points, she completely underestimated the importance it had on industry. By 1936, the Palestine Electric Company had 653 transformers and reached 66,000 customers, 1/3rd of which were industries.[134] Rutenberg's electricity single-handily allowed the important Zionist industries in Haifa and Tel Aviv to greatly increase production. Of course the Rutenberg power plants symbolized Zionism, but they allowed for the growth of industry which the Zionists used to facilitate the absorption of large numbers of immigrants by the 1930s.

The Huleh Swamp Concession

By the mid-19th century, the Ghawarna, a semipastoralist Bedouin tribe, settled around the swamps and marshes of the Huleh Valley. The Zionists and the British viewed them as backward and wasting the potential economic resources of the land, as did most natives. The Huleh area was the second most fertile region of Palestine after the Jezreel Valley. It could potentially grow grain and fruit with its deep alluvial soils and many natural springs for irrigation.[135]

The economy of the Ghawarna consisted of water buffalo herding, the growing of rice in the areas adjacent to the marshes, and mat weaving using the reeds of the swamp. Even though plagued with a high mortality rate from malaria, the tribe used the resources as rationally as possible. By the early 1930s, they owned over 5,000 water buffalos and

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[133] Smith, "British Economic Policy," 253-54.
[134] Himadeh, "Industry," 281-82.
[135] Y. Karmon, "The Settlement of Northern Huleh Valley Since 1838," *Israel Exploration Journal*, Vol. 3, No. 1, 1953, 5.

the surrounding Arab and Jewish communities widely used their papyrus mats.[136] The Ottoman government and wealthy Arabs viewed the Ghawarna as a stumbling block for the development of the region as they wanted to drain the swamp for its rich farmland. During the Egyptian occupation of the 1830s, the local Arabs had used explosives to destroy rocks that had been preventing the marshes from draining.[137] This led to a temporary boon in farming, but it was not a long-term solution as the Banat Ya'qub Bridge upstream continued to limit the flow of water. The Sultan claimed Huleh as *jiftlik*, private lands owned by the Sultan, by the end of the 19th century and was intent on developing it. Initially, government surveyors and engineers pinpointed the problems and began attempting to fix them. They widened the river at the bridge, thus draining thousands of dunams. However, due to lack of resources, the Ottoman government eventually halted work and put the land up for a concession.

The Zionist Executive began to show interest in acquiring the land in 1906, and sent an engineer to investigate. The government likewise saw the Zionists as a possible partner in draining the swamps given their technical experience and supposed wealth,[138] but eventually, the Ottoman government gave the concession to two Beirutis, Muhammad Beyhum and Michael Sursock. The concession remained in abeyance due to the war. In 1918, the sultan then approved the transfer of the concession to the Syro-Ottoman Agricultural Company led by Salim Bey Salam. That same year, British soldiers marched up from Jerusalem and conquered northern Palestine, thus inhibiting further progress.

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[136] Glenna Anton, "Blind Modernism and Zionist Waterscape: The Huleh Drainage Project," *Jerusalem Quarterly*, Autumn 2008, Vol. 35, 82.
[137] Karmon, "The Settlement of Northern Huleh Valley," 9-10.
[138] Sandra Sufian, *Healing the Land and the Nation: Malaria and the Zionist Project in Palestine 1920-1947* (Chicago: University of Chicago Press, 2007), 163.

The concession resurfaced once the civil administration was established but faced two serious threats. First, as was the case for all concessions in Palestine, the British were unsure whether or not it was valid until the Lausanne Protocols of 1923 forced them to recognize it. Second, during preliminary discussions between the French and the British, the Huleh Valley was allocated to Syria. In the end though, it became part of Palestine after pressure from the Zionists, who not only desired the swamp, but sought to preserve several Jewish settlements which lay just north of the valley, including the one where Joseph Trumpeldor was killed.[139] The High Commissioner was very apprehensive about the concession as it would alienate land from the government, but he also feared that it would conflict with part of the Rutenberg scheme which called for Huleh to be used to store water from the Jordan.

Salam began having severe problems funding the project immediately after the British recognized the concession. As the Zionists remained interested in the land, he entered into negotiations with them to sell it. Dr. Weizmann offered £75,000 while Salam wanted £150,000 and they seemed to have reached a compromise at £90,000.[140] The Zionist Organization then completed a survey of the valley, which stated the costs of draining the concession area would be completely uneconomical. In order for the drainage scheme to make any sense, the government would have to be willing to sell the surrounding land as well. Salam later claimed that the Zionists pressured other potential buyers from making an offer so that he would go bankrupt and eventually the Zionists

[139] Tyler, *State Lands*, 87. During the war between the Arabs and the French, Arabs attacked the settlement: Trumpeldor's death was seen as one of the rallying cries for the Zionists. His martyrdom and influence has been compared to that of 'Izz al-Din al-Qassam to the Palestinians.
[140] Memorandum on Jewish Negotiations for Acquisition of the Huleh Concession. CO 733/190/77169.

would get the concession at a much lower price, but there is no basis for this claim.[141] It is most likely that the extraordinary cost scared away any prospective buyers.

While the Huleh issue remained a thorn in the side of the government during the late 1920s, particularly whether Salam or the government would receive rent from the land, the situation became much more serious in 1930. Warwick Tyler adroitly puts the Huleh concession into a larger context. The Hope Simpson Report and the Passfield White Paper of 1930 both admonished the government for the lack of development of state lands and pushed for action. Jerusalem then had a new incentive to have the area drained as quickly as possible to placate these reports, but by this time, it had become clear that Salam would not be able to muster the necessary funding.

By 1932, the entire concession was at a standstill. By then, Salam did not have the ability to invest further and was content to continue collecting rent.[142] Lewis French, Director of Development, suggested that Jerusalem should expropriate the concession, but of course the government had no intention of investing its own revenue into the project.[143] Additionally, if the government were to expropriate the concession, Rutenberg would gain an exclusive right to the water of Huleh just as he had the Jordan.[144] The British wanted the Zionists to have the land, but they also preferred that it be used for the settlement of immigrants so as to divert Zionist efforts from buying Arab land. Therefore,

[141] Ibid.
[142]Director of Development Louis French to High Commissioner Wauchope, 23 December 1931. Enclosed in High Commissioner Wauchope, Jerusalem, to Secretary of State for the Colonies, May 1932. CO 733/220/97144. Salam had been using the land as a personal fiefdom, using the local police to arbitrarily seize crops from the peasants.
[143] Ibid.
[144] Secret Dispatch, High Commissioner Wauchope, Jerusalem, 31 January 1933. CO 733/238/17344.

the government planned on allowing Salam to default and having the Zionists, through the Palestine Land Development Company, buy the concession at auction.[145]

Spurred by the emerging crisis of massive migration from Germany, the Zionists viewed Huleh with new importance. With default imminent, Salam reentered negotiations with the Zionists and the government eventually allowed the transfer of the concession to the PLDC. The High Commissioner promised to bless the arrangement and even sell the surrounding land if a reserve in the concession area were established for the Arabs. He tried to assuage Arab anger by stating that Zionist development of Huleh would support not only Jews, but also Arabs as the PLDC agreed to reserve 15,772 dunams of land for 1,000 Arab families.[146] By the time of the 1936 Revolt, the Zionists had made little progress on the drainage project, but the acquisition of the Huleh Valley was a significant boost to the National Jewish Home and a serious blow to the Palestinian nationalist cause. The eventual draining of the swamp not only destroyed the lifestyle of the Ghawarna, but the area became a fortified zone with Jewish settlements ringing the northern extent of the valley.

The Arabs and the Palestinian press greatly supported Salam's effort to develop the land. When rumors spread across the country in 1930 that the Zionists were trying to "steal" the concession from him, the Palestinian press praised the potential of Huleh for the Arab cause. "The enterprise is therefore a national Arab scheme which calls upon every Palestinian Arab to assist it materially and morally so as to enable us to fight economically the Zionists who… are about to lay hands upon all the important resources

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[145] Ibid.
[146] Tyler, *State Lands,* 100. The Arabs claimed to have previously cultivated 20,000 dunams.

of the country."[147] Once it had become clear that the Zionists were indeed granted the concession, the Arab press viciously attacked the British government as well. *Filastin* claimed that the transfer of the concession to the Zionists amounted to the government's "manipulation of Arab land and neglect in its destruction."[148]

The Arabs viewed the Huleh concession as another step towards the Zionists gobbling up all their land. The presence of multiple Zionist settlements greatly changed the surrounding environment and served as a reminder of encroaching Zionism. Although the draining did not start until after the establishment of the State of Israel, it was clear to the Arabs of Huleh, and in particularly the Ghawarna, that their way of life would come to an end soon.

Clearly, it was not the government's fault that the Arab concessionaires were unable to drain the swamp: the British had given them ample time. Tyler claims that the British went out of their way to accommodate them in order not to seem to be biased in favor of the Zionists. The government even made sure to guarantee land for the original inhabitants, but the Arabs saw the situation differently. When the British transferred the concession to the Zionists, the Arabs had lost a major development project. They wrongfully blamed the Zionists for Salam's failures. Given the long-standing interest the Zionists had for the valley, the Arabs concluded that there was a conspiracy between the Jews and the government to take their land. In essence, the Huleh Valley was much more of a symbolic loss to the Arabs than a material one. Yet it was a gigantic reminder of the changing power dynamics in the country.

[147] Extract from Arabic Press, summary No. 27. *Filastin* 18 March 1930. CO 733/190/77169.
[148] Sufian, *Healing a Nation*, 175-76.

The Dead Sea Mining Concession

> The Dead Sea Concession has a curious history, and when we come to a consideration of the course of action that has been taken, it can only be regarded as an outrage on every principle of sound administration and fair dealing.[149]

The developer of the Palestine Potash Company, Moshe Novomeysky, always tried to emphasize that Palestine had been devoid of any development before the coming of the Zionists and that it was they who "made the desert bloom." He claimed that the Arabs never attempted to exploit the Dead Sea, and he carried out an "…act of building *ab initio* something where nothing had changed since the Almighty's first creation…"[150] In fact, the Arabs had been developing the region for decades, and, like the Zionists, they claimed the right to develop the Dead Sea.

Several Ottomans, including Arabs, attempted to cultivate the Dead Sea. The first concession for the exploitation of the resource was granted by the Sultan in 1911 to three Ottoman subjects, yet was cancelled in 1915.[151] In 1923, Musa Kadhim Pasha al-Husayni applied for a concession but to no avail. A third example of an Ottoman citizen trying to gain access to the Dead Sea was Ibrahim Hazboun, who returned to his native Palestine from Haiti in 1913 in order to take advantage of the new economic opportunities provided for Arabs following the 1908 Revolution. Having learned about the economic resources of the Dead Sea, he used personal connections to gain a position managing the transport of grain and military equipment across the body of water in 1915. Apparently,

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[149] Dr. Khalil Totah. Memorandum Based on Conversation with Dr. Khalil Totah. Enclosed in Consul General Ely E. Palmer, Jerusalem, to Secretary of State, 22 September 1934. Records of the United States Consulate in Jerusalem, Reel 2, 341-359.

[150] Moshe Novomeysky, *Given to Salt* (London: Parrish, 1958), 261. For his statement on the Arabs, see 188.

[151] Several groups continued to claim that the concession was still valid throughout the 1920s. The case actually almost led to a court case between the French and British governments. See *Given to Salt*, 222-27 and Norris Ch 4.

he assumed that as part of the bargain he would be granted a concession to mine the sea at the end of the war.[152] The British allowed Hazboun to continue managing the enterprise so as not to disturb the movement of goods. He claimed that the Director of Commerce and Industry had promised him the concession once the mandate was ratified.[153] Because of this, Hazboun took out loans to invest in his ferries, but with no concession in sight, he was near bankruptcy by 1921. That same year, Moshe Novomeysky bought him out with the same intention of using the transport business as a stepping stone towards gaining the concession.

Born in Siberia in 1873, Novomeysky was a German trained mining engineer. In 1906, through conversations with the famed Zionist botanist Otto Warburg, Novomeysky realized that the chemical makeup of the salts of the Dead Sea were extremely similar to those in Siberia, the area which he knew well. After visiting Palestine in 1911, he moved there permanently nine years later. Novomeysky established a makeshift laboratory on the land he received with the transport business and carried out chemical and geological experiments there for the next decade.

Novomeysky came to Palestine not only as a potential entrepreneur but out of a devout desire to build the Jewish National Home. He said that, "the ideology of Zionism, the concept of the return of my nation to its old homeland had found its place in my heart… and by the Balfour Declaration the British government had… given those emotions a powerful new stimulus."[154] He and his family settled in Gedera where he established a large and prosperous farm. He chose this colony not only because it was the

[152] Jacob Norris, "Toxic Waters: Ibrahim Hazboun and the Struggle for a Dead Sea Concession, 1913-1948," *Jerusalem Quarterly*, Spring 2011, Vol. 45, 29.
[153] Ibid, 32.
[154] Novomeysky, *Given to Salt*, 26.

first settlement of Russian Jews, but because his family had an emotional connection to it. While visiting Palestine in 1914, Novomeysky's father had spent Passover in the settlement where the "Zionist idea awakened in him."[155]

From 1920-1925, he continuously lobbied both the governments in Jerusalem and London for the concession. At the same time, others had also been petitioning the British. In 1923 at the behest of the Colonial Office, Novomeysky teamed up with Major Tulloch who had contacted the government in 1918 about the concession. The pair complimented each other very nicely. Tulloch lacked funding but as a prominent Scot, his presence would help deflect anti-Zionist criticism. In addition to Novomeysky and Hazboun, nearly half a dozen other parties had shown an interest in the concession by the mid-1920s. Until the British finally offered Novomeysky the concession in 1927, the discussions between the Colonial Office, the government of Palestine, and the prospective concessionaires on the subject were so drawn out and contentious that Shuckburgh exclaimed, "I wish that sea were truly dead."[156]

The tumultuous consequences from the Rutenberg and Mavrommatis concessions had caused the government to move very slowly regarding the Dead Sea as not to even appear as discriminating against anyone or being biased towards any group. Several interested parties contacted the government, but the Colonial Office continued to delay the process until 1925 when it officially called for tenders. None of the original offers pleased the government, so in 1926, it sent out another call for bids. The British received four main proposals. One came from Maitland Edwards and Major Douglas Henry, or the so-called Australian group. Major Henry was an Australian engineer who had fought in

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[155] Ibid, 27-28.
[156] Novomeysky, *Given to Salt*, 130.

Palestine during the war. He learned about the potential of the Dead Sea while in the country and contacted the British about a concession in 1917. His partner, Edwards, was a wealthy Englishman who had bought the concession from one of the original Ottoman concessionaries in 1915 without knowing that it had been cancelled. Given that the group had no financial backing, the British government would have completely discounted their bid if it had not been for the possibility that if the group felt slighted, it could use Henry's Australian citizenship to force an international court case.

A second bid came from W. H. Tottie, the manager of a major Canadian trading company who headed what was labeled the Bicknell group. While their bid gave the government the best terms, it had become clear by 1927 that they were unable to muster enough funding. Barbara Smith claims that the Bicknell group was the only competition for Novomeysky, but there was a third bid which the government took very seriously.[157]

This tender came from Dr. Thomas Norton, a well-respected chemist who had written at length about potash extraction and had spent years in France working in the industry.[158] He also invented an innovative technique for extracting potash and other minerals which would drastically lower the price for the British.[159] By all accounts, the Norton bid was much more attractive to the government than the one put forth by Novomeysky and Tulloch. Norton promised an output of 100,000 tons of potassium

[157] Smith, "British Economic Policy," 259-60. It is unclear how she came to this conclusion. Perhaps she was basing this statement on the fact that the Colonial Office was hoping that the Norton group would join Novomeysky.
[158] In addition to these two, DuPont and General Motors had been planning on issuing their own bids, but later pulled out after deciding that they could get minerals cheaper elsewhere. See, Novomeysky, *Given to Salt*, 56-58.
[159] 1927 Memorandum on the Dead Sea Concession. Enclosed in Crown Agents, London, to Under Secretary of State for the Colonies, 17 January 1927. CO 733/132/44056.

chloride by the third year compared to Novomeysky's 10,000.[160] In addition, Norton promised the government a larger share of the profits.[161] In the end, the government decided to grant Novomeysky the concession, citing his extensive knowledge of the chemical and geological composition of the Dead Sea. The fact that he possessed Zionist financial support was also a major benefit.

Pro-Arab British politicians and notables attacked this decision in the presses and in the House of Commons. The loudest voice heard outside of parliament was that of Robert Gordon Canning, who was known for his anti-Semitism and support of Arab Nationalism. He claimed that Novomeysky received the concession because of Leo Amery's pro-Zionist views and that if this injustice were allowed to stand, the Middle East would explode with anger.[162] He used the concession as a way to attack the entire policy of the British in Palestine and added that justice for the Arab inhabitants must be the paramount concern of the British, not the development of Zionism.

Several politicians roundly criticized the concession during a parliamentary hearing in 1928. They attacked Novomeysky for everything from his supposed pro-Bolshevik stance to his rumored cooperation with the German potash monopoly, although neither of these allegations was true. Baron Islington stated that the British should act as a trustee and needed to make sure that the terms of the concession were agreed to by the entire population of Palestine and Trans-Jordan. The British had the responsibility to "…mete out even justice and equality in all matters and interests, political, social or

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[160] Dead Sea Concession – Schedule of Offers Received December 1926. Enclosed in Crown Agent Sir Henry Lambert, London, to Under Secretary of State for the Colonies, 11 January 1927. CO 733/132/44056.
[161] Ibid.
[162] Robert Canning Gordon MP to Prime Minister Stanley Baldwin, 26 October 1928. CO 733/147/55705. In his second letter, Gordon backed off from his rhetoric and apologized to Amery for his tone.

economic to the people of Palestine as a whole and not to any minority…"[163] The idea that the British were not protecting the economic interests of the Arabs was a common theme. Lord Danesford stated that the British, by granting the concession to Zionists, were ignoring the needs of the Arabs.[164]

Obviously, the Palestinian Arabs were enraged with the decision to grant another pivotal concession to the Zionists. In addition to numerous articles attacking the British for their decision, the Palestine Arab Congress wrote to London denouncing it. In one letter, the Congress reminded the High Commissioner the damage that had been done by the Rutenberg concession; of how it "sunk deep in the heart" of the Arabs and that they needed "a real counter-grant to neutralize its very unwholesome effect rather than granting another concession of this dimension to another Zionist."[165] It went on to erroneously argue that the first one to apply for the concession was Musa Kadhim Pasha al-Husayni, who said that he was willing to abdicate his rights to the concession as long as the Dead Sea were developed for the benefit of all of Palestine, not just one section.[166]

Clearly, the most serious objection was Novomeysky's relationship with Zionism. During the Parliamentary Debate of 1928, Lord Islington claimed that during a Zionist meeting, Dr. Chaim Weizmann stated that the *Zionist Organization* had obtained the Dead Sea concession, not just Novomeysky.[167] While there is no evidence to support that he made this specific claim, Weizmann did enthusiastically support Novomeysky's bid and used all his pull within the Colonial Office to influence the decision. He used his

[163] Parliamentary Questions, 23 May 1928. CO 733/147/55075.
[164] Ibid.
[165] General Secretary of the Executive Committee of the Palestine Arab Congress Jamal Bey al-Husayni, Jerusalem, to High Commissioner Lord Plumer, 31 August 1927. Enclosed in Mary Broadhurst President of The National League, London, to Prime Minister Baldwin, 24 October 1927. CO 733/132/44056.
[166] Ibid. In fact al-Husayni's bid came in 1923. It is understandable that the Arabs were not aware of the earlier dates of the other bids as the Colonial Office kept most of the information private.
[167] Parliamentary Questions, 23 May 1928. CO 733/147/55075.

reputation as a chemist to laud Novomeysky's scientific skills.[168] At the end of 1926, Dr. Weizmann wrote a letter to Amery about the Dead Sea concession. He urged that Novomeysky "not be pushed into the background in favor of other interests."[169] Furthermore, he stated that the development of the Dead Sea was vital for the development of the Jewish National Home.

While Weizmann clearly advocated for Novomeysky, the latter was likewise dedicated to the success of Zionism as we have already seen. In 1929, he started negotiations for funding with Sir Alfred Mond. Novomeysky was desperate for funding at that time and even though he had received numerous promises from American Jews that they would back him, he needed one large sponsor to prove that he had the ability to finance the first stage of the scheme. Mond offered support, but in exchange he wanted in essence to receive a majority share of the company. The Jewish Colonial Trust urged Novomeysky to take the offer because there were no other options.[170] Novomeysky was willing to accept these terms if Mond agreed to use Jewish labor and reserve a permanent seat on the Board of Directors for the Jewish Agency to ensure that Zionist interests would be looked after even in the distant future.[171] Mond refused, but eventually, prominent American Jews such as Louis Brandeis were able to procure enough funding.

The Palestine Potash Company was founded in 1929. This constituted a major victory for both the British and the Zionists. During the early 20th century, the Germans had a monopoly on potash, a core raw ingredient for fertilizer. The British relied heavily on this source and during World War I, the end of German potash deliveries destroyed

[168] Jacob Norris, "Ideologies of Development and the British Mandate of Palestine, "Ph.D diss., University of Cambridge, 2010, 142-43.
[169] Dr. Chaim Weizmann, New York, to Leo Amery, 31 December 1926. CO 733/132/44056.
[170] Novomeysky, *Given to Salt*, 152.
[171] Ibid, 168.

Britain's fertilizer industry.[172] London therefore took a special interest in the development of the Dead Sea. The government was clearly not going to spend the money to develop the site and instead used the Zionists as their "agents for development."[173] The British viewed them as technically and financially the best suited, and considered them to be loyal to their interests. The collusion between the two groups is best seen in the makeup of the company. The PPC was a British company registered in London with a British chairman but run by the Zionists. Just as Haifa granted the British easy accessibility to oil, the Dead Sea granted them a large source of potash. They greatly relied on this source throughout the mandate and especially during The Second World War.[174]

For the Zionists, the granting of the Dead Sea concession completed the triumvirate of Zionist development: heavy industry in Haifa, Rutenberg hydroelectricity, and Dead Sea minerals. This is what Jacob Norris calls, "the Zionist Industrial Complex."[175] The Rutenberg power plants generated electricity which ran the factories in Haifa and the operations of the Palestine Potash Company. The Haifa factories produced the necessary materials, such as Nesher cement, for further development and jobs. The Dead Sea minerals were the largest source of revenue. All of this though depended on the facilities of the Haifa harbor.

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[172] Norris, "Development in Palestine," 145-46.
[173] Ibid, 155.
[174] Ibid, 155-61.
[175] Ibid, 102.

Labor Policies

> I [Sir John Chancellor] have been a great deal in South Africa. There, there are two standards of living; the white and the black; and there too the problem [of a wage that would be acceptable for both groups] has not been solved. If you ask me to solve it in Palestine as between the Jews and the Arabs, you are asking me to perform an economic miracle which I can not do.[176]

The government's policy towards labor was multifaceted. It had a commitment to both the British government and Palestine's Treasury to conduct works as cheaply as possible. On the other hand, the British had a commitment to the development of the Jewish National Home to hire Jews and often used public works programs to alleviate unemployment in the Jewish sector. As the government was the single largest employer, the Jewish and Arab communities competed fiercely for jobs in the Public Works Department. Both sides thought of themselves as the "sons of the country" and argued that they deserved the bulk of the jobs. In addition, each community claimed that the government favored the other. Making up around 20% of the population, the Zionists argued that they deserved a proportion of the jobs equal to that of their contribution to the revenue of the country, about 40% in the early 1930s. The Arabs on the other hand argued that about 50% of the budget was being spent on defense and other projects that solely benefitted the Jews. Therefore, Arabs deserved the jobs as they were subsidizing Zionist development.

During the 1920s, the largest complaint of the Arabs was that Jews received much higher wages. Although each government department could establish its own wage scale, most paid unskilled Jewish labor more than that of the unskilled Arab labor. The DPW

[176] Minutes of Conversation between High Commissioner Chancellor, the Palestine Executive, and the Jewish Federation of Labor, 7 May 1929. Enclosed in High Commissioner Chancellor, Jerusalem, to Secretary of State for the Colonies, 15 May 1929. CO 733/165/67049.

hired locally for projects and most of the time, it made sure that the labor force was homogenous. Jews were hired for works near Jewish colonies and Arabs for those near their own villages. This allowed the government to pay separate wages based on different standards of living. The Arab wage was based on the fact that not only was the standard of living of the fellaheen lower than the Jews, but the Arab peasants were also farmers. The government therefore viewed public works jobs as just supplemental income for them. Throughout the 1920s, the government continued to misunderstand the precarious position of the fellaheen and the extremely high rate of Arab unemployment. On the other hand, through the pressure of Zionists and labor organizations, the government offered even unskilled and nonunionized Jewish labor wages appropriate for a European standard of living. The 1928 Wage Commission found that unskilled laborers were grouped into one of four categories. (See Table 2.)

The Wage Commission of 1928 was sent to examine multiple aspects of wages in Palestine, one of those being whether or not a minimum wage should be introduced, the idea being that a minimum wage would bring the Arab salary up to that of the Jews.[177]

Table 2. Wages for Unskilled Labor. Report of the Wage Commission of 1928. CO 733/152/57204.

Unskilled Labor by classification	
Arab Rural 120-150 mils	Jewish non-Union 150-200 mils
Arab Urban 140-170 mils	Jewish Union 250-300 mils

[177] Ironically, Jewish unions supported this law as well as Arab workers. The minimum wage would allow Jewish labor to compete with Arabs for unskilled jobs.

The committee voted against the idea, stating that it was premature in Palestine. They found that it would be impossible to enforce this in the private sector and would greatly increase the costs of labor for public works. It also found that the Arabs were not sufficiently well organized to make sure that such a wage was enforced. For example, Jewish labor had long used strikes as a method to achieve concessions from employers. In the context of Arab labor, strikes were political and not at all economic.[178] Until Arabs understood labor methods such as strikes and bargaining, there was no use implementing such a measure from above. It recommended that the government take steps to help organize Arab labor so that a minimum wage could be implemented in the future. Lord Plumer did not carry out this last recommendation and made sure that the report was never published.[179]

The fact that the committee recommended teaching Arabs modern labor techniques ran completely counter to the government's policy towards Arab labor. The British wanted to preserve traditional Palestinian social relations. There was a fear that if they empowered laborers, it would overthrow traditional patronage links with the *effendis*, tribal sheikhs, and *mukhtars*, the village leaders, and therefore cause further instability for a society already in flux. The idea of a minimum wage continued to pop up throughout the 1930s, but the need to protect the society prevented its implementation.[180] The British also hoped that this policy would convince the traditional elites to cooperate politically.

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[178] Rachelle Taqqu, "Arab Labor in Mandatory Palestine, 1920-1948," Ph.D diss., Columbia University, 1977, 117.

[179] Report of the Wages Commission, Jerusalem, May 1928. Enclosed in High Commissioner, Jerusalem, to Leo Amery, 17 July 1928. CO 733/152/57204.

[180] Taqqu, "Arab Labor," 78-79.

The British relied on *mukhtars* and tribal sheikhs to recruit for public works projects near their villages. These local leaders decided which *hamulas*, or clans, and individuals would receive jobs. In addition to that, the British gave some *mukhtars* the authority to distribute pay.[181] There were even instances in which these elites were able to dictate the terms of construction to the district commissioners. The government also made sure that Arab laborers could not start identifying themselves as a distinct class. Generally, Arab unions were not recognized. Even the more liberal Railway Department made sure that Arab workers did not organize. On public works, the government hired workers on a temporary basis. The fear was that if the government hired workers on a long-term contract, this would contribute to wide-scale urban migration and the weakening of social bonds. Some employment was extremely short term. For example, dockworkers at Haifa harbor were recruited for one day at a time.

With an ever increasing number of Arabs seeking employment in the coastal cities while losing their social bonds to the villages, the government began attempting to attach these workers to urban notables. The *effendis* "exerted pressure on the workers for loyalty without granting them the advantages of either material gain or continuing social accommodation."[182] The workers thus became pawns in the competition between the Husaynis and their opponents.

The government excluded the Arab sector from many labor laws. While the British afforded Jewish labor limited protection through legislation, they feared that if it were extended to the Arabs, it would not only cost much more, but would create social strife. Sir Herbert Samuel wanted to enact a workers compensation ordinance in 1925.

[181] Ibid, 91.
[182] Ibid, 137.

The Colonial Office shelved the idea until 1928 when it allowed a watered down version to pass. This narrow interpretation excluded casual workers which were the vast majority of the Arabs.[183] In essence, as Rachelle Taqqu points out, British policies towards Arab labor were based on ideals of social stability and fiscal conservatism.

Starting in the 1930s, the terms of the battle over labor shifted from wages to the proportion of workers. Zionist pressure succeeded in forcing the British to offer Jews a guaranteed proportion of all public works jobs, although Jewish labor never felt that it received its fair share. The government did indeed prefer the cheaper Arabs, though works were directed towards Zionists during times of economic depression. The Zionists continued to argue that they deserved a proportion of the jobs equal to their contribution to the country's revenue. These complaints finally led to a change in policy in 1931, set out in Prime Minister Ramsey MacDonald's letter to Dr. Chaim Weizmann, referred to by the Arabs as the MacDonald Black Paper. In it, the Prime Minister annulled several policies adopted following the Passfield White Paper such as the need to limit Jewish immigration. The letter addressed two issues regarding labor. First, it officially accepted the Jewish Agency's "principle of preferential and indeed exclusive, employment of Jewish labor by Jewish organizations,"[184] but more importantly, MacDonald affirmed the right of "…Jewish labor to a due share of the employment available, taking into account Jewish contributions to public revenue…"[185]

The decision on what the actual proportion should be was very hard to pin down. Following negotiations between the Treasury and the Jewish Agency, the government

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[183] Ibid, 75.
[184] Gregory Mahler and Alden Mahler, *The Arab Israeli Conflict: an Introduction and Documentary Reader* (New York: Routledge, 2010), 68.
[185] Ibid.

declared that Jews should be given 30 to 33 per cent of the work on all public works jobs.[186] In fact, the number often fell short of that given the diverse conditions and locations of the government's programs. Nevertheless, the fact that the government officially accepted this policy added "to the Arabs' feelings of insecurity and legalized what they considered the cause of their oppression."[187] In essence, the Arabs tussled with the government over wages in the 1920s, but in the 1930s, they had to fight just for jobs.

Haifa Harbor Construction: an Example of Discriminatory Wages

The Haifa Harbor presents a unique case study in the complexities of wages in public works projects. As we have already established, the British used the requirement to pay Jews a European wage to circumvent international bids for the construction of the harbor. The government would also hire Arabs for the project, as they were the majority of the country, and to keep costs down. A major problem was caused by the fact that during the construction period, Jews and Arabs would be working side by side, which would make paying one group more than the other extremely difficult. Arabs would riot if they found out Jews were being paid much more for the same job. Originally, the government intended to steer Jewish labor to skilled or semiskilled jobs which would allow them to be paid more without obvious discrimination. This was a standard practice on mixed projects in both the public and private sectors. In this case though, the Zionists vigorously objected to it. According to government plans, the first 18 months of the harbor construction would consist entirely of unskilled jobs. The Zionists refused to wait for their proportion of the labor, especially since Jewish taxes were contributing to the

[186] Seikaly, *Haifa in Transformation*, 141-42.
[187] Ibid, 142.

construction. On top of that, they wanted to assure that all skill grades were available for Jews.

The government decided that the only way of allowing Jews to be hired for unskilled labor and not to discriminate against Arabs would be to create a single minimum wage.[188] Sir John Chancellor decided that this wage had to be lower than what Jews would normally receive, otherwise it would bankrupt the country.[189] Instead, he argued that the wage should be between that of the Arabs and Jews at around 150 mils. This would allow the standard of living for the Arabs to rise, while at the same time making labor affordable. The Zionists were outraged. They exclaimed that at that salary, no Jew could afford to take the job. They argued that the common wage should be 200 mils.[190] The High Commissioner was in quite a predicament. He needed to pay everyone equally, but the government could not afford to pay everyone a Jewish wage and the Zionists refused anything less.

The number of Jews working on the harbor would increase dramatically during the later stages of construction once skilled and semiskilled positions were introduced. These positions would greatly increase the proportion of Jewish labor to a point that would be acceptable to the Zionists even if Jews no longer worked unskilled jobs. The government therefore just needed a solution for the first 18 months. The High Commissioner came up with the idea that Jews would be hired at a piece work rate. This would allow them to earn more but at the same time the common wage would still

[188] In fact, the 1926 Palestine Loan stipulated that a "fair wage" be established.
[189] Minutes of Conversation between High Commissioner Chancellor, the Palestine Executive, and the Jewish Federation of Labor, 7 May 1929. Enclosed in High Commissioner Chancellor, Jerusalem, to Secretary of State for the Colonies, 15 May 1929. CO 733/165/67049.
[190] Confidential, High Commissioner Chancellor, Jerusalem, to Secretary of State for the Colonies, 15 May 1929. CO 733/165/67049.

technically be enforced.[191] Rutenberg, with whom Chancellor consulted, agreed stating that in the long run, it would not even cost that much more as the intelligence and the energy of the Jews, coupled with an incentive to produce more, would cut down on construction time.[192] The experimental wage was carried out in the Athlit quarry where stone was hewn for the harbor. By 1930, Jews made up 79 of the 559 employees working on Haifa harbor with about half of them in the quarries.

At first, it seemed that the experiment in Jewish piece work had paid off. In 1930, the head engineer reported that the Jews were producing much more per man than the Arabs and that the costs to the government were only slightly more, 101 mils per cubic meter for Jews and 96 mils for Arabs in March.[193] The reports in April were even better as the costs were exactly the same for each group.[194] The head engineer proposed introducing piece work to the Arabs in order to boost their production. The Colonial Office even recommended that all public works projects in Palestine start using this method.[195] After carefully scrutinizing the numbers and the actual conditions of the quarry, it turned out that the piece work system was completely uneconomical. Jewish production was not even that much better than that of the Arabs. The original numbers did not take into account that the Jews were working an easier part of the quarry, had preferential access to transportation and were paying others to "level the quarry floor… to enable sidings to be laid up to the quarry face."[196] Cost per cubic meter for Jews in actuality was about 85 mils and 55 mils for Arabs. On average the Arabs made 156 mils a

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[191] Ibid.
[192] Ibid.
[193] Resident Engineer G. C. Thompson, Haifa, to High Commissioner Chancellor, 16 June 1930. CO 733/189/77130.
[194] Ibid.
[195] Internal Colonial Office memo, December 1930. CO 733/203/87130.
[196] High Commissioner Chancellor, Jerusalem, to Secretary of State for the Colonies, 23 July 1931. CO 733/203/87130.

day, a respectable amount, whereas Jews made an astonishing 520 mils! Not only was this uneconomical, but Jews were making nearly four times that of the Arabs. There were cries within the Colonial Office to end the experiment immediately, but it continued out of fear of a negative Zionist reaction.

In the end, the government did discriminate against the Arabs. The decision drained the coffers of the country and the Arabs were well aware of it. As ‘Awni Bey ‘Abd al-Hadi pointed out, “owing to this differential wage paid by Government, on the Haifa Harbour Works…£160,000 was lost…”[197]

Conclusion

There was a large discrepancy between the goals of the British and the outcome of their policies. The government thought that by encouraging Zionist growth in industry, the entire country’s economy would improve and that the Zionists would focus on economics instead of politics. This had mixed results at best. Zionist industrial growth did benefit the Arabs to some extent through some factory jobs, but it also greatly strengthened Zionism economically and politically. Factories received dual protection through exemptions on imported raw materials and tariffs on foreign imports. These measures greatly helped the industries to survive, subsidize more expensive Jewish labor, and absorb more immigrants. On the other hand, Arab consumers paid higher prices for their daily necessities and the state lost revenue that could have been used to develop the Arab economy. The government’s protection of Zionist industry also inadvertently hurt Arab agriculturalists and soap makers. To the Arabs, it seemed as if the British were

[197] *Royal Commission Minutes*, 306.

supporting uneconomical businesses at their expense and creating "an artificial door for immigration."[198]

British and Zionist interests coincided nicely on the development of the country. Haifa harbor had an imperial purpose but also greatly supported Zionist growth. This level of cooperation extended to the exploitation of the country's natural resources. The government had no intention of devoting its limited funds to large development projects such as the Huleh Valley or the Dead Sea. Instead, it looked to the Zionists to provide the necessary technical skills and funding. The British had hoped that benefits from the development of these resources would eventually reach the Arabs and demonstrate the positive effects of Zionism. Understandably, the Arabs rejected the premise that a foreign power could just hand over resources to a small sector of the population. While they received some jobs, the vast bulk of the benefits accrued to the Zionists who used the Rutenberg and Dead Sea schemes to boost production and allow further immigration. As an article in *Filastin* argued, the Arabs should reject the Rutenberg scheme, "…because we do not share with it in our money or its profits."[199] The case of the Dead Sea, the Huleh Valley, and the Rutenberg concession all proved to the Arabs that the British were intent on changing the economic and political balance of Palestine in favor of the Zionists.

The government treated the Arabs very paternalistically, asserting that they did not have the proper skill sets for development. However, Arab industry grew despite the policies of the government. The active desire of entrepreneurs like Ibrahim Hazboun proved that Arabs were interested in cooperating in building the country though the

[198] Ibid, 329.
[199] Bracy, *Printing Class*, 98.

British continued to relegate Arab economic activities to agriculture. The government wanted to preserve Palestinian society at a time when the economic conditions of the country were rapidly changing in order to keep the costs of governing the country down. A failing agricultural sector and a boom in construction jobs in the coastal cities helped lure Arabs from their villages, a process that challenged the power of the traditional village elites. The British feared the unsettling effect of having masses of Arab workers in the cities and greatly prohibited the development of Arab labor organizations. They also hoped that by protecting traditional patronage systems, Arab leaders would cooperate more. While the goal was to protect Arab society, the British were inadvertently helping to produce a class of frustrated workers who were increasingly alienated from their villages and saw the Zionist economy succeeding while they lived in poverty.[200]

[200] George Mansur, *The Arab Worker under the Palestine Mandate* (Jerusalem, 1936), 15. In 1935, George Mansour claimed that in Haifa alone, 11,160 Arab workers lived in 2,473 petrol tin huts.

CHAPTER 4

AGRICULTURE: LIMITED SUPPORT AND UNFULFILLED PROMISES

Agriculture was the one economic sphere in which the government intended to support the Arabs. While little was done during the 1920s partly due to fiscal constraints, the events of 1929 gave the British reason to reevaluate their economic policies and begin to focus on aiding Arab agriculture. Government reports called for credit institutions and greater protection of agricultural products. Sir John Chancellor wanted to limit Arab to Jewish land transfers and investigated opening up an agricultural bank and cooperatives. The British tried to keep wheat and barley prices high and High Commissioner Sir Arthur Wauchope (1932-1937) even looked into establishing an income tax to help the fellaheen.

In the end though, commitments to the international community and to the Zionists as well as budgetary constraints, combined with environmental disasters and a drop in agricultural prices, all greatly restricted the government's range of actions. The mandate and the Palestinian-Syrian trade agreement of 1921 prevented the British from fully protecting Palestine from foreign dumping. The commitment to the Jewish National Home precluded a severe crackdown on land sales, and budgetary constraints hindered investment in Arab agricultural development. Greatly restrained, the government tried to protect the fellaheen through legislation and Palestinian agricultural production with quotas and tariffs on foreign goods, but the end results of these policies fell far short of their intentions and instead often backfired.

The rigidity of the commuted tithe during a collapse of market prices meant that the fellaheen often paid more in taxes than their crops were worth. Land legislation created further divisions in Palestinian society between the landlords and the fellaheen. The promises of credit facilities fell far short of expectations and even when the agricultural bank was created, it aided only the Zionists and wealthy Arab citrus growers. By the mid-1930s, British economic policies had left the Arabs greatly disappointed. At the same time that the Arabs were suffering, the Zionists continued to gain strength through land purchases and industrial production.

Foreign Dumping

The British could not completely control the flow of imports into Palestine. Article 18 of the mandate stated that Palestine could not discriminate against members of the League of Nations. The government could raise tariffs on specific items, but the rates had to apply to all member states and could not target a specific country. The mandate in essence forced Palestine to treat all League members as 'most favored nations.' This greatly hampered the government's ability to discriminate against imports and protect local goods. Article 18 also allowed Palestine to "conclude a special customs agreement with any State the territory of which in 1914 was wholly included in Asiatic Turkey or Arabia."[201] It was hoped that this would preserve the economic connectedness of former Ottoman territories, and Palestine had established such an agreement with Syria in

[201] League *of Nations. Mandate for Palestine*. Geneva. 12 August 1922, Article 18.

1921.[202] In addition to the mandate, the British were also obliged to abide by the 1924 Covenant between Great Britain and the United States. Though not a member of the League, America received the same benefits through the agreement. It also set a precedent for allowing other non-League members, such as Japan, free trade in Palestine.[203] This treaty further hindered Britain's ability to control imports, as it stated that Palestine could not establish a trade policy that would discriminate against all non-LON members.[204] Even though it allowed for discrimination against individual non-League members, the British were afraid of setting that precedent.

Of all the trade constraints placed on the British, the accord with Syria was particularly burdensome. It prevented the inclusion of Palestine from most favored nation trade agreements between Britain and other countries because then the other country could claim the duty free access Syria received.[205] While it allowed for free trade between Palestine and Syria, the trade balance favored the latter disproportionately because it possessed a much larger economy than Palestine in the 1920s.[206] Under the accord, products from third countries were exempt from tariffs as long as they partly consisted of Syrian or Palestinian labor or materials. This included basic retouching such as packaging. Many companies shipped their goods to Syria, retouched them, and then re-exported them duty free to Palestine. Furthermore, many countries did not even alter the

[202] Norman Burns, *The Tariff of Syria: 1919-1932*, (Beirut: American University Press, 1933). See 67-81 for a Syrian perspective of the trade relationship.
[203] Hiroshi Shimizu, *Anglo-Japanese Trade Rivalry in the Middle East in the Inter-War Period* (London: Ithaca Press, 1986), 190.
[204] Officer Administering the Government, Jerusalem, to Secretary of State for the Colonies, 5 November 1932. CO 733/217/97070.
[205] Smith, "British Economic Policy," 19.
[206] Husni Sawwaf, "Foreign Trade," in Sa'id Himadeh ed., *Economic Organization of* Palestine (Beirut: American University Press, 1938), 427.

goods, and just shipped them through Syria to Palestine duty free, because there was no proper mechanism to prevent fraud.

A 1927 memorandum pinpointed several areas where the Syrian-Palestinian accord was being abused. It explained that Syrian bean producers were making more money by dumping their crop in Palestine and then importing beans from Italy for consumption.[207] Sheep exported from Iraq and Arabia suddenly became Syrian before entering Palestine. The Syrian director of customs admitted that camels exported to Palestine were most likely from other countries as the records showed that there were more leaving Syria than the country even possessed. After 1925, the number of imports from Syria tripled, and the British estimated that nearly all confectionary, cotton, woolen, and leather goods were from third countries.[208] The two groups hit the hardest though were the fellaheen who grew grain, and the Tel Aviv textile sector.[209] In addition to hurting Zionist industry and Arab agriculture, the government was losing potential revenue as 60% of goods entering from Syria were admitted duty free.[210] Therefore, every group in Palestine had reason to protest the accord.

Given that so many sectors of the economy were affected, the British had asked the French to adjust the agreement in 1924. By 1927, the desire to reach a new accord picked up steam. One of the main amendments to the agreement would have prohibited goods that contained more than 75% foreign materials from receiving tariff

[207] Memorandum on Palestine Syria Customs Convention 2 March 1927. Enclosed in Officer Administering the Country G. S. Symes, Jerusalem, to Secretary of State for the Colonies. CO 733/135/44182.
[208] Ibid.
[209] Shimizu, *Anglo-Japanese Trade Rivalry*, 208-221. See for a unique example of how Japanese textiles dominated the Palestine market.
[210] Memorandum on Palestine Syria Customs Convention 2 March 1927. Enclosed in Officer Administering the Country G. S. Symes, Jerusalem, to Secretary of State for the Colonies. CO 733/135/44182.

exemptions.[211] While it would not have prohibited Syrian grain from flooding the Palestinian market, it ostensibly would have dealt with grain from other countries. By September, the text of the new agreement had been prepared by High Commissioner Herbert Plumer and was awaiting the signature of the High Commissioner in Syria, when all of the sudden an uproar came from the Tel Aviv textile manufacturers demanding that the old agreement stay intact. What had occurred between the early 1920s and 1927 to make the Zionist textile manufacturers change their mind on the accord with Syria?

Zionist industrialists understood that with the generous duty exemptions on raw materials given to them by the government a few years earlier, in conjunction with cheap electricity from Rutenberg and the modernized Haifa harbor, they would soon be able to compete with the Syrians. As Norman Burns wrote in the 1930s, "the results are inevitable. The Syrian manufacturer is slowly choked by the unequal competition."[212] Suddenly, Zionist industrialists planned not only to compete with Syrian manufactures, but hoped to conquer the much larger Syrian market. For example, even in the mid-1920s, Shemen and other modernized Zionist soap producers began having a negative impact on the indigenous soap makers of Syria.[213] Under pressure from the Tel Aviv textile manufacturers, who threatened to shut down their factories and further exacerbate Jewish unemployment,[214] Lord Plumer withdrew the proposal. The agreement was updated in 1929 but essentially remained the same.[215]

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[211] Ibid. The British originally wanted it to be 50%.
[212] Burns, *Syrian Tariffs*, 73.
[213] Ibid, 202-7.
[214] Manufacturers Association Federation of Jewish Industries, Tel Aviv, to Director of Customs, Excise and Trade, 21 July 1927. Enclosed in Zionist Organization, London, to Under Secretary of State for the Colonies, 24 August 1927. CO 733/135/44182.
[215] Warwick Tyler, *State Lands and Rural Development in Mandatory Palestine, 1920-1948* (Sussex Academic Press: Portland, 2001), 187. The agreement was revised again in 1939.

With continued dumping by Syria and other countries in the late 1920s and early 1930s, British attempts to protect Arab agriculture only affected the margins and offered only limited relief. The two hardest hit agricultural products were barley from Gaza and wheat. Given that the bulk of the fellaheen grew these two crops, it is safe to assume that a vast majority of Arab agriculturalists were affected by foreign dumping.[216]

The British tried to protect the Palestinian barley market throughout the 1930s, but to no avail. In 1934, the government raised the duty on imported barley considerably in order to make Palestinian barley more competitive. The goal was to raise the market price. Before the duty, the government estimated that Turkey exported 22,000 tons of barley to Palestine whereas Syria exported 2,000.[217] The duty successfully pushed out Turkish barley: Turkey exported a mere 6,000 tons in 1934. On the other hand, Syria became the largest source of barley imports to Palestine. By 1935, of the 12,503 tons of barley imported to Palestine, 12,488 came from Syria.[218] This measure succeeded in raising the costs so that Turkish barley could not compete, but ultimately failed because it did not address Syrian barley. With no other competition except from Gaza, cheap Syrian barley further cornered the market and kept prices low. A British memorandum on the topic stated that by 1936, "…the benefits from this protection accrue mainly to Syrian producers…"[219]

The British faced a similar problem with wheat. In 1930, the government established a licensing system to stabilize prices. When this proved ineffective, a seasonal

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[216] Amos Nadan, *The Palestinian Peasant Economy under the Mandate: A Story of Colonial Bungling* (Harvard Center for Middle Eastern Studies: Cambridge, Mass, 2006), 83-86.
[217] Colonial No. 133 *Palestine Royal Commission: Memoranda Prepared by the Government of Palestine* (London: HMSO), Vol. 2, 5C, 32.
[218] Ibid.
[219] Ibid.

duty was introduced in which foreign wheat would pay a higher duty when Palestinian wheat was on the market in order to push foreign dumping to other seasons.[220] The following year, a sliding scale of duties was enforced in order to keep the price at £9 a ton.[221] Both systems failed because wheat from Turkey and Russia continued to enter Palestine through Syria duty free.[222] The Standing Committee for Commerce and Industry often discussed the possibility of asking the French to exclude wheat from their trade agreement, but never pulled the trigger out of fear that this would set a precedent and that the French would then ask for Palestinian industrial products to be omitted.[223] In 1935, the French finally permitted Syrian wheat to be taxed at £3 per ton as long as 5,000 tons annually were allowed duty free. While this helped the fellaheen a bit, the price of wheat remained well under £9 a ton throughout the end of the 1930s.[224]

The issue of Palestinian agricultural products needs to be examined in a wider environmental and international context. Grain prices in Palestine were greatly affected by world grain prices, which, from 1920-27 were high, but subsequently dropped with the onset of the global depression. On top of that, Palestine faced multiple crop failures in the late 1920s and early 1930s. The worldwide drop in prices and environmental disasters combined with international constraints created a perfect storm for the fellaheen. There is no doubt that the government would have had a hard time protecting Palestinian wheat

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[220] Ibid, 29-30. The system applied to rye and flour as well.
[221] Ibid.
[222] Extract from the Minutes of the Thirty-second Meeting of the Standing Committee for Commerce and Industry held in the Treasurer's Office, Government Offices, Jerusalem, on 25 February, 1932. Enclosed in High Commissioner Wauchope, Jerusalem, to Secretary of State for the Colonies, 29 April 1932. CO 733/213/97035. See also the Minutes from the Thirty-eighth Meeting for a discussion on falsifications of invoices of Syrian flour.
[223] Extract from the Minutes of the Thirty-eighth Meeting of the Standing Committee for Commerce and Industry held on 15 September 1932. Enclosed in High Commissioner Wauchope, Jerusalem, to Secretary of State for the Colonies, 26 November 1932. CO 733/213/97035.
[224] 'Issa Alami, "Some Aspects of the Development of the Palestinian Peasant Economy and Society, 1920-1939," Ph.D diss., Edinburgh University, 1984, 405.

and barley under 'normal' conditions, but as 'Issa Alami points out in his dissertation, if the British had been able to control imports to a greater extent, they would have been able to establish much higher prices.[225]

Agricultural Bank and Cooperatives

Though they never became a very large source of land for the Jewish National Home, small landowners increasingly sold their land to the Zionists throughout the late 1920s and 1930s. Providing the Arabs adequate access to credit through an agricultural bank and cooperatives was the only way to stop land transfers to Jews other than through an outright prohibition on the practice. With long-term credit, the Arabs could develop the land and make it more profitable to farm than to sell. The British had always understood that the lack of credit was a major problem, but because of a lack of financial resources and commitment, only made limited attempts throughout the 1920s to fix the situation. After the 1929 riots, the Hope Simpson and Shaw commission reports both recommended establishing credit facilities, but partly due to a lack of funds, cooperatives and an agricultural bank were only established in 1933 and 1935, respectively. While the cooperatives made limited progress in the short three years before the revolt, it was too late to ameliorate the situation of the fellaheen. The agricultural bank, an institution the peasants had been clamoring for, mostly benefited Jews as they had better access to land title given that they lived near the coast, the region of the country that the government first targeted for title distribution.

The unwillingness of the British to create institutions that could provide the fellaheen with credit came from fiscal constraints and the lack of land titles. While the

[225] Ibid.

former will be discussed at length later, it is important to explain the land system of Palestine under the Ottomans first. Much of the land of Palestine was *mush'a*, communally owned and possessed by the entire village. The fellaheen would rotate annually which plot of land they worked. Given this arrangement, it would be impossible to have land titles and establish individual property rights. Another type of land was *miri*. With this land, the owner "did not hold the land by title deed but rather by usufruct, which gave him the legal right to the land and to the profit from it."[226] Under the Ottomans, governmental consent to sell or mortgage this land was required. The government tried to strengthen the position of owners in 1858 when it introduced laws requiring official registration of all land. Fearful that such registration would lead to conscription or higher taxes, many sought the protection of tribal leaders and *effendis* and had the land registered in the names of these elites. In essence, the small owners lost possession of the land and became tenants. Others who kept ownership of the land only had a small portion of it registered in order to avoid taxation.[227]

When the British entered Palestine, the land title system was a mess. They began to carry out a proper land registry scheme by the 1920s, but never completed the project. While giving out loans without proper deeds as collateral would be extremely difficult, it was not impossible, as it was done from 1919-1923. Therefore, the British government's parsimony and lack of commitment must be seen as the largest hindrance towards creating credit institutions.

[226] Kenneth Stein, *The Land Question in Palestine, 1917-1939* (Chapel Hill: The University of North Carolina, 1984), 11.
[227] Ibid, 20.

In 1929, the Congress of Arab Villagers demanded that the government cancel the debts of all the fellaheen and establish an agricultural bank.[228] The First Arab Economic Congress also wanted the government to create an agricultural bank and claimed that 5% of the state's annual revenue should be dedicated to it.[229] During the Peel Commission, 'Awni Bey 'Abd al-Hadi lauded the Ottoman Agricultural Bank while criticizing the British for not using tithe funds dedicated to it to aid the fellaheen.[230]

Established in 1898, the Ottoman Agricultural Bank had branches located throughout the country and provided loans at 6% interest. It was able to offer such a low rate because it received a subsidy of 0.5% of the tithe annually. Upon the British occupation of Palestine in 1917, the bank ceased to exist. Most of its assets were emptied during the war with only £20,000 remaining in Palestine. The military administration decided not to redevelop the bank and instead put the 0.5% of the tithe earmarked for the institution into the country's general funds.[231]

Understanding the importance of credit to agricultural development, Major General Money reached an agreement with the Anglo-Egyptian Bank to give out loans to the fellaheen. When the civilian administration arrived in 1920, Samuel continued this process. As Martin Bunton points out, this program was not the same as an agricultural bank nor was it a continuation of the Ottoman loan program. It was meant to be a stop gap measure until a proper credit institution could be founded. The Colonial Office tried to stop the High Commissioner from granting these loans given both the fiscal position of

[228] Report on Arab Congresses. Enclosed in Consul General P. Knabenshue, Jerusalem, to Secretary of State, 19 December 1929. Records of the United States Consulate in Jerusalem, Palestine, Confidential Correspondence, 1920-1935 (Record Group 84). Reel 3, 232-238.
[229] Ibid.
[230] Colonial No. 134 *Palestine Royal Commission: Minutes of Evidence Heard at Public Sessions* (London: HMSO, 1937), 310-11.
[231] High Commissioner Chancellor, Jerusalem, to Secretary of State for the Colonies, 11 January 1930. CO 733/184/77067. The government collected £76,500 until the extra 0.5% was abolished in 1925.

the government and the political liabilities. London feared the ramifications from the government repossessing Arab land after a default. The High Commissioner felt a moral obligation to the Arabs and stated that under The Laws and Usages of War, the government was legally required to continue giving out loans as the Ottomans had done.[232]

While the Colonial Office pushed for fiscal restraint, Samuel recognized the value of providing credit and its importance for developing agriculture. He stated that "representatives of all classes" clamored for the creation of a new agricultural bank,[233] and he even referred to the creation of one in the preamble of the Land Transfer Ordinance of 1920.[234] The agreement between the Anglo-Egyptian Bank and the government ended in 1923. The bank would only continue lending money if the British government guaranteed the loan, but London refused to become involved financially in the scheme.

Throughout his tenure, Samuel continually lobbied for the creation of an agricultural bank. He formed a committee to examine the issue and the majority opinion argued that the government needed to open a new agricultural bank as private banks were unlikely to extend credit to the fellaheen because a great majority of them lacked proper title to their land. The government was well aware that without strong leadership from the state, the private sector was unlikely to open an agricultural bank on its own. The High Commissioner hoped that the end of the Anglo-Egyptian lending system would motivate London to establish a new bank. Again, the Colonial Office refused to even think about

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[232] Julian Finegold, "British Economic Policy in Palestine 1920-1948," Ph.D diss., University of London, 1974, 79.
[233] Ibid.
[234] Barbara Smith, *The Roots of Separatism in Palestine* (Syracuse University Press, 1993), 92.

spending money on the project. Sir Herbert Samuel made one last desperate effort to get the funding by trying to get it included in a draft of the Palestine Loan in 1924, but the Colonial Office again thwarted his plan by citing fiscal difficulties.[235]

Until 1929, the government made no attempt to find a long-term solution for the credit crisis. A few private banks in Palestine did provide credit, but only to wealthy landlords.[236] The main source of credit for the fellaheen came from the government which issued small short-term loans during emergencies, most notably the Beersheba Cultivators Loans of 1927 and the Seed Loans of 1928.[237] These loans were never more than £15 and were only issued in order to save the fellaheen from an unmitigated disaster such as a crop failure. These miniscule loans were only a drop in the ocean. Developing the agricultural sector and therefore stabilizing it lied in granting larger and longer term credit. As Sir John Chancellor wrote, "…the introduction of capital is indispensable if agriculture is to be developed and that credit facilities must be given to *individual agriculturalists* throughout the country in order to enable them to improve their methods."[238]

It was only after the 1929 riots that the government seriously began looking into establishing institutions to provide credit. High Commissioner Chancellor established another committee to look into the issue and it recommended raising a loan of £1/2 million in order to finance a new bank. Lord Passfield would not even entertain the idea.

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[235] Martin Bunton, *Colonial Land Policies in Palestine, 1917-1936* (Oxford: Oxford University Press, 2007), 113.
[236] Amos Nadan, "The Competitive Advantage of Moneylenders over Banks in Rural Palestine," *Journal of Economic and Social History of the Orient*. Vol. 48, No. 1 (2005), 5-6.
[237] For details on these loans and others, see Report of Committee on Arrears of Werko, Tithes, and Agricultural Loans. Enclosed in High Commissioner Wauchope, Jerusalem, to Secretary of State for the Colonies, 15 September 1932. CO 733/227/97401.
[238] High Commissioner Chancellor, Jerusalem, to Secretary of State for the Colonies, 11 January 1930. CO 733/184/77067. Emphasis in the original.

The British had a hard enough time raising a loan for the Jerusalem drainage scheme, and were not prepared to go through the process again.[239] Furthermore, he claimed it was premature to establish an agricultural bank in Palestine, as most Arabs lacked proper title to their land and without it, they would have no collateral for a loan. The process of surveying the land and providing titles had languished throughout the mid-1920s and did not begin to make progress until 1928. It was estimated that a fully staffed survey team would complete the task by the early 1940s at the earliest.[240] Therefore, there would not be enough suitable customers to sustain such a bank. While the Colonial Office ignored the demands for an agricultural bank, it was greatly attracted to the idea of setting up Arab cooperatives.

The British were drawn to the idea of Arab cooperatives because German and Jewish settlements already had several hundred of their own that were thriving.[241] What made it even more attractive to London was that it would be far cheaper than an agricultural bank. The 1929 Credit Commission had recommended taking the £20,000 that had remained in the account of the Ottoman Agricultural Bank to start a new bank. Lord Passfield instead wanted this money to fund cooperatives. In 1931, the British sent C. F. Strickland, a cooperatives expert, to investigate the possibility of establishing them in Palestine.

Strickland had nothing but disdain for the idea of an agricultural bank as he thought that the Arabs would just squander the credit that it would provide. Instead, he believed that they needed to be taught through cooperatives on how best to utilize credit.

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[239] Secretary of State for the Colonies, London, to High Commissioner Chancellor, 18 March 1930. 733/184/77067.
[240] Dov Gavish, *A Survey of Palestine under the British Mandate, 1920-1948* (New York: Routledge Curzon, 2005). See Ch. 5 for the details of how the British bungled the system throughout the 1920s.
[241] *Royal Commission Memoranda*, No. 15, 48. By 1936, Jewish cooperatives had a capital of £10,000,000.

While the Colonial Office thought that the cooperative scheme would be a cheap way of providing credit to the Arabs, Strickland had expensive plans. He wanted a large loan to set up an educational system and an expensive broadcasting station to guide the Arabs.[242] The British were only willing to spend the £20,000 they had on hand and though they originally thought about asking Strickland to take the position of Registrar of Cooperatives, they changed their mind after hearing his pricey ideas.

The process of finding a registrar itself was fraught with delays over funding for his salary. The O'Donnell Commission was scheduled to arrive in Palestine in mid-1931 in order to trim the budget, and the government wanted to wait for its findings before employing a registrar. Chancellor was thoroughly frustrated as the "Arabs are in a very sullen and suspicious state…" and he hoped that an immediate appointment of the registrar would assuage them.[243] After a short delay and hounding from Jerusalem, the Treasury finally gave in. Once the Colonial Office agreed to hire a registrar, it then refused to spend the money to employ an experienced official.

At first, Chancellor wanted to appoint an officer who understood cooperatives, was fluent in Arabic, and could quickly pick up Hebrew. After realizing that no such man existed, the High Commissioner dropped the language requirement and sought to employ A. Cavendish, who was previously Director of Cooperation of the Malay States and had come highly recommended by Strickland. The Colonial Office refused to pay for an experienced officer when a local one could be hired for much less. With no other choice, Chancellor finally decided to hire a man whom Strickland called, "the least unsuitable" of

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[242] Bunton, *Colonial Land Policies*, 120.
[243] Extract from d.o letter from Sir John Chancellor, Jerusalem, to Sir John Shuckburgh, 20 March 1931. CO 733/199/87064.

the local officers, "but was of no great ability."[244] Strickland understood how important the position of Registrar of Cooperatives was for the success of the program, and on hearing that the government had refused to hire Cavendish because it would have cost more money, he ominously predicted that,

> Sooner or later, the impoverished economy of the Arabs would provide the necessary fuel for a conflagration fomented by political agitators… The Treasury would have to spend a good deal more money in putting down widespread disorder than would be necessary to make a beginning with proper cooperative methods which is the only basis for an improved economic life. [245]

The government finally began establishing cooperatives in 1933. Historians remain uncertain whether these cooperatives led to any actual improvement for the fellaheen before the revolt though. Amos Nadan states that they developed rapidly and "seemed promising" with 121 cooperatives by 1937-1938.[246] Martin Bunton on the other hand questions such rosy reports and cites an analysis that claimed that even by 1938, the credit societies were still very small.[247]

The lack of success of the agricultural bank on the other hand is unquestionable. After over a decade of refusing to endorse any loan that would fund the program, the government spent several more years negotiating with private banks to establish the agricultural bank. Eventually, such an institution was finally created in 1935 by several private banks after the government contributed £150,000, which had been earmarked for a police training school.[248] The scheme failed to provide any succor to the fellaheen as the bank refused to give them loans because they did not have official land titles. While it

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[244] O. G. Williams, minutes, 18 July 1931. CO 733/199/87064.
[245] Ibid.
[246] Nadan, *The Palestinian Peasant Economy*, 224.
[247] Bunton, *Colonial Land Policies*, 122.
[248] Roza El-Eini, "The Agricultural Mortgage Bank in Palestine: The Controversy over its Establishment," *Middle Eastern Studies*, Vol. 33, No. 4, (1997), 757.

is understandable that the lack of an official deed would prohibit lending, it must be pointed out that the loan scheme of 1919-1923 worked without such a strict requirement. Instead of an official deed, the government accepted the statement of the village *mukhtar* and two local notables that the individual in question did own the land. While the Colonial Office criticized this method, the 1929 commission found that the increase in tithe from development more than made up for the losses from bad loans.[249]

In fact, given that the process of establishing deeds was focused mostly in the plains near the coast, the only ones who had access to the bank were Jews and wealthy Arab citrus growers. The scheme helped Zionist development without that being the explicit goal.[250] When the government became aware that the bank would greatly help the Zionists, it provided £50,000 in medium to long-term loans to fellaheen in the hill regions. This system was established in 1935, and the applications exceeded the amount of credit allocated. No loans were actually made because of the insecurity of the country following the general strike late in 1935 and the subsequent revolt.[251]

In conclusion, the creation of the agricultural bank and the cooperatives came more than a decade too late. As we have seen, the British understood the credit problem but largely ignored it until 1929, and even then were only willing to spend minimal amounts on solutions. Instead of investing money in rural development to stabilize the Arab agricultural and tenure system, they tried, as we will see, to fix the problem with legislation.[252]

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[249] Report from the Agricultural Credit Committee. The Treasury, Jerusalem, to the Chief Secretary of the Government of Palestine, 22 November 1929. Enclosed in High Commissioner Chancellor, Jerusalem, to Secretary of State for the Colonies, 11 January 1930. CO 733/184/77067.
[250] Bunton, *Colonial Land Policies*, 124.
[251] *Royal Commission Memoranda*, No. 14, 48.
[252] Kenneth Stein, “Palestine’s Rural Economy: 1919-1939,” *Studies in Zionism*, Vol. 8, No. 1 (1987); 25-49, 5.

Rural Taxation

Of all the complaints from the Arabs regarding British economic policies, none was more ubiquitous than that of the burdensome nature of the tithe and taxation. Under Ottoman Law, the tithe was supposed to be 10% of gross product, but the government continued to add on to it for special purposes throughout the 19th and 20th century. For example, starting in 1897, an additional 0.5% was included for the Ottoman Agricultural Bank and a further 0.5% was added during World War I for the war effort. By the time General Allenby entered Palestine, the official tithe rate was 12.5%.[253] Since the tithe was a tax on the gross product and not net profit, it was actually a tax on the costs of production as well. The fellaheen also paid the *werko*, an immovable property tax, and the *aghnam*, an animal tax. In addition to direct taxes, they also paid duties on imported goods.

Tax farming reigned in Palestine until the end of the Ottoman Empire. The Porte had tried to enact tax reforms throughout the 19th century, but few were actually enforced and even fewer remained in effect over a long period of time. In 1839, the sultan had abolished tax farming because of its predatory nature. By 1842, tithe returns had dropped to such extent that it was reintroduced. In 1889, a law was passed to limit the abuses of tax farming. It would have allowed for arbitration if a dispute arose between a tax farmer and a cultivator, but it was never enforced.[254] Instead, the tax collectors continued to collect sums more or less arbitrarily. They would take less from the notables and the

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[253] M. F. Abcarius, "Fiscal System," in Said Himadeh ed., *Economic Organization of Palestine* (Beirut: American University Press, 1938), 508. He further estimates that would be 35% of net profit, but considering that tax collectors often took more than that, it is hard to estimate the actual impact on net profit.
[254] Abraham Granott, *Land Taxation in Palestine* (Jerusalem: Mischar w'Taasia Publishing, 1927), 40.

elites who could pay a bribe, but continued to abuse the fellaheen by collecting far more than the legal amount.

From 1918-1925, the British took several steps to reform the tithe. The two that greatly helped the fellaheen were the elimination of tax farming immediately following the British occupation, and then the readjustment of the tithe to 10% in 1925. With that said, most of these measures were meant to streamline the process and make the tithe easier to administer.[255] The government continued several Ottoman practices that greatly hurt the peasants. For example, the British continued to force the fellaheen to keep their crops on the threshing floor until an assessor arrived, which could take up to 25 days. This left the crop vulnerable to the elements and to thieves. While waiting, the fellaheen lost the opportunity to sell his product when prices were high.[256] To add insult to injury, the peasant was also obliged to house and entertain the assessor at his expense.

In order to make the tithe easier to administer, the government began to collect it in cash instead of in kind. The former method was far too burdensome for the government as it would have to store and then market the crop. The decision to collect the tax in cash made the process of estimating the tithe harder since a monetary value for the crop needed to be determined. To do this, the country was divided into small sections and in each one, a British team would ascertain the physical amount of the crop. Then, each district commissioner, in his own area, would establish the redemption price, the amount in cash a cultivator would pay on his crop per ton based on the market price.[257] This estimation process was difficult to carry out as it needed very rigorous knowledge of

[255] Nadan, *Palestinian Peasant Economy*, 28-29.
[256] Abraham Granott, *The Fiscal System of Palestine* (Jerusalem: Mishar ve-Taasia Publishing Company 1935), 154.
[257] Sir Harry Luke and Edward Keith-Roach, *The Handbook of Palestine* (Macmillan: London, 1922), 146.

local conditions and prices, and was never completely accurate.[258] Given the fluctuations in market prices and quantities grown, the redemption price changed every year, making it hard for the fellaheen to prepare for the following season. This process continued until the commuted tithe.

Because of the inexact nature of estimating the redemption price, Issa Alami concludes that the fellaheen paid an average of 10.9% of their gross product for the tithe from 1922-1927.[259] On top of that, they paid 6.2% for the *werko* for a total of 17.1% of gross product.[260] After factoring in the costs of production, depending on the crop, the direct rural taxation consisted anywhere between 25-57% of net profits.[261] The numbers used to obtain these percentages were taken from E. R. Sawer's *A Review of the Agricultural Situation in 1923*. In must be noted that Sawer calculated the net profits of crops on maximum yields which were unrealistic for the environmental conditions of Palestine.[262] For example, he admitted that while the tithe was 34.8% of net profit for millet with maximum yields, in reality, with actual yields, it was 45.5%.[263] Alami uses more realistic yields and prices to determine that most farmers actually took a loss on their crops during 1922-1927.[264]

The government had wanted to implement a land tax as it was considered the most equitable form of direct taxation other than the income tax, but this was impossible during the 1920s because the cadastral survey of Palestine was still on going. Instead, the

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[258] For an in depth look at the process, see Granott, *Fiscal System*, 150-1 and Alami, *Some Aspects of Development* 316-17.
[259] Alami, *Some Aspects of Development*, 351.
[260] Ibid.
[261] Ibid, 356.
[262] E. R. Sawer, *A Review of the Agricultural Situation, Appendix X*, 40-43. Sawer did not include the *werko* in his calculations.
[263] Ibid, 41, 43.
[264] Alami, *Some Aspects of Development*, 357.

government enacted the Commuted Tithe in 1927 in order to alleviate the position of the fellaheen as a stop gap measure until the land tax could be enacted. In theory, the commuted tithe was a better form of taxation because it eliminated the annual process of estimating the redemption price.

For the redemption price of crops during the commuted tithe, the government just averaged the redemption prices of the previous four years. These years were chosen because they included one bad, one good, and two average ones. The span also needed to be an even number to accommodate the olive growers given that the reaping methods of beating the branches often produced a poor crop every other year.[265] This new system successfully eliminated the ambiguity surrounding prices and allowed the fellaheen to better prepare from year to year.

The peasants initially praised the commuted tithe.[266] Unfortunately, the new tithe lacked any flexibility. This greatly hurt the fellaheen as the late 1920s and early 1930s witnessed numerous major environmental disasters, including four years of locust plagues and five years of field mice infestations.[267] On top of this, Palestine faced severe droughts which led to crop failures such as the one in 1931 that wiped out the entire winter crop in Beersheba and Gaza.[268] To make matters worse, worldwide prices of agricultural products dropped dramatically after 1928. The farmer therefore paid taxes on his goods at the higher previous rate, but then sold them at the far lower current market value. For example, during this period, the average tax on barley and olive oil was 11.5

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[265] *A Review of the Agricultural Situation in Palestine*, A Note on the Verities of Olives Cultivated in Palestine, 17.
[266] Abcarius, "Fiscal System," 518.
[267] Stein, "Palestine's Rural Economy," 17-18.
[268] Telegram from the Officer Administering the Government of Palestine, Jerusalem, to Secretary of State for the Colonies, 16 May 1931.

mils per kilo and 54.6 mils per kilo, respectively, but the average market price was 5.8 mils per kilo and 30.3 mils per kilo, respectively.[269]

Many authors claim that because the tithe was reduced to 7.5% in 1932 and large amounts of the tithe were remitted during this period, the level of taxation decreased. ‘Issa Alami on the other hand concludes that even after the lower tax rate and remissions, because of an increase in the rate of the *werko* and the collapse of market prices, the fellaheen were taxed 19.2% of gross product, a higher rate than before.[270] This led to them taking out large loans from money lenders, often the same merchants to whom the fellaheen sold their goods, just to survive.[271] The Hope Simpson report confirmed that the commuted tithe had led to more poverty among the fellaheen.[272]

In 1935, the government finally ameliorated taxation with the implementation of the land tax and eliminated the *werko*. The land tax was based on the quality of soil, with the most productive land being taxed the highest rates. The tax was also on net profit instead of gross production and the average effective rate of taxation in 1935 was 9.73% of net income.[273] While this tax was undoubtedly much better than the previous two, decades of onerous taxation under the Ottomans and the British, combined with the complete devastation of the agricultural sector during the late 1920s and early 1930s, meant that many fellaheen continued to live in abject poverty.

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[269] Nahla Abdo-Zubi, “Colonial Capitalism and Rural Class Formation: An Analysis of the Process of Social, Economic and Political Change in Palestine 1920-1947,” Ph.D diss., University of Toronto, 1989, 128.”
[270] Alami, *Some Aspects of Development*, 362.
[271] For more on the connection between merchants and moneylending, see Doumani, *Rediscovering Palestine*, 134-149. Nadan, “Competitive Advantage,” 31-32.
[272] Cmd. 3686 *Palestine Report on Immigration, Land Settlement and Development* (Hope Simpson Report (London: HMSO, 1930), 69.
[273] Alami, *Some Aspects of Development*, 377.

Income Tax Commission

> I weep for you the walrus said, I deeply sympathize, Oh land of long catastrophe of every shape and size…
> Assyrians had a hack at you and Babylonians too, Came Alexander moping round and then the Roman crew
> The Arabs and the Saracens then took a running punch, And I don't suppose Crusaders were a wholly gentle bunch…
> But of all the stern inflictions that have bowed your people's backs, The worst is now approaching in our British Income Tax…[274]

Ever since the early 1920s, the British had understood that the fellaheen were seriously burdened by the amount of tax they had to pay. Sir Herbert Samuel acknowledged that the fellaheen could not handle the encumbrance and investigated the possibility of enacting an income tax in addition to a professional and trader's tax in 1923. This was part of an effort to distribute more direct taxation to the urban population.[275] Eventually though, the government deemed it premature to implement either. The idea of an income tax appeared again following the 1929 riots, when the Johnson-Crosbie report of 1930 saw the income tax as a way of distributing the burden of taxation away from the fellaheen.[276]

It is not clear if the report had any impact, but in 1932, High Commissioner Sir Arthur Wauchope ordered an income tax expert to evaluate the possibility of implementing it in Palestine. He cited two reasons. First, he sought to alleviate the tax burden of the fellaheen given that the past three years had been particularly devastating for them. Second, he wanted to establish a secure source of revenue. The global economic depression of the 1930s did not affect the government of Palestine because of

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[274]Lucio, "The Last Straw." Extract from The Manchester Guardian, published 10 March 1934, CO 733/260/37400.
[275] Internal Colonial Office Minutes, To Mr. Parkinson, 21 July 1932. CO 733/ 225/97300.
[276] Report of a Committee on the Economic Conditions of Agriculturalists in Palestine and the Fiscal Measures of Government in Relation Thereto (Jerusalem: Palestine Government, 1930), 49, 56.

infusions of Zionist money, but the possibility of a future economic crisis scared him. During the 1930s, the bulk of the revenue increasingly came through custom duties. In general, this kind of tax is not very stable and is regarded as inferior to an income tax.[277]

> The taxes on expenditure were inefficient as far as the state was concerned since the amount of an individual's contribution depended on the amount he was willing to spend, whereas income tax had to be paid on earnings which the earner would hardly wish to restrict.[278]

Wauchope wanted to be proactive. With an income tax commission, he could establish the tax during prosperity and secure revenue, or if it were found not feasible to carry out at the present time, he would have the mechanism established in order to implement it during a time of necessity. In February of 1934, J. F. Huntington of the Board of Inland Revenue of the United Kingdom arrived in Palestine.

Even before the commission had arrived, the Jewish community was up in arms. They had several arguments. First, they claimed that the fellaheen were not overburdened by taxation as the government often forgave a large percentage of the tithe throughout the 1930s. Second, the budget continued to produce a surplus over the last few years so it was unnecessary to implement any new taxes at all. Third, the bulk of the revenue came from expenditure taxes and tariffs of which the Jews paid a larger proportion than the Arabs, and that an income tax would also disproportionately target Jews.[279] Fourth, an income tax would force capitalists to divert capital and factories from Palestine to Syria and that it would prevent further Jewish immigration. [280]

For their part, the fellaheen fully supported the income tax. Because they made so little, the chances were that they would be exempt from it. Furthermore, as Huntington

[277] B.E.V. Sabine, *A History of Income Tax* (London: George Allen & Unwin Ltd, 1966), 54.
[278] Ibid.
[279] Palestine Post, "The Income Tax Proposal," 23 December 1932.
[280] Ibid.

discovered, the mere opposition of the Jews was reason enough for them to support it. The fellaheen became further enamored with the concept once they realized that the Zionists feared that the income tax would negatively affect immigration.[281] Many wealthy Arabs on the other hand privately lamented the tax since they would be charged as heavily as the Jews, but in public, they backed it and used it to further agitate the fellaheen. By the time the income tax commission arrived in 1934, the country was divided on the issue along religious lines.[282]

After speaking to representatives from all of the communities, the commission decided that it would be impossible to implement an income tax in Palestine because it would be too difficult to enforce. Both sides saw the government as a foreign entity and few people, neither Jews nor Arabs, would honestly report their income.[283] Huntington wrote, "I was frankly reminded by one Jew of high standing that… the people of Palestine regarded the government as a foreign one and felt no sort of moral obligations towards it in any case in which its requirements conflicted with their inclinations…"[284] Furthermore, very few people in Palestine practiced proper bookkeeping. It goes without saying that the fellaheen did not keep books, but the commission found, to their surprise, that a majority of Jews did not either.[285] The cost of administering the tax would be prohibitive and its actual enforcement would cause further tension between the inhabitants and the government. Some within the Colonial Office disagreed, claiming that

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[281] J. F. Huntington's Report in Regards to the Income Tax Commission, 3. Enclosed in High Commissioner Wauchope, Jerusalem, Secretary of State for the Colonies, 14 June 1934. CO 733/261/37400.
[282] Arab Christians were split. See Appendix II: Summary of Evidence Given before the Income Tax Commission for a further discussion on the religious and ethnic dimension. Enclosed in High Commissioner Wauchope, Jerusalem, Secretary of State for the Colonies, 14 June 1934. CO 733/261/37400.
[283] J. F. Huntington's Report, 5. CO 733/261/37400.
[284] Ibid.
[285] Ibid, 8-9.

after the initial anger and difficulties, both sides would soon accept the tax.[286] The High Commissioner though accepted the reasoning of the commission and declared that Palestine was not ready for the income tax.

The intention of the government in looking into the issue was to alleviate the condition of the fellaheen from onerous taxation. Clearly though, the implementation of an income tax was premature. On top of the reasons already listed, the British had already established income tax in Jordan and Iraq and in both cases, the results were less than satisfactory. It failed to bring in the revenue needed to replace direct taxation on agriculturists and in both countries, the burden fell mostly on British officials and companies.[287] The British decision not to implement the tax in 1934 was clearly a rational one.

During the Peel Commission hearings, the Arabs complained that though the land tax had helped the fellaheen, they were still suffering and the only way to fix the situation was to implement the income tax. Fuad Effendi Saba claimed that Huntington had in fact favored establishing an income tax and "somehow or other this enquiry was shelved."[288] Jamal Bey al-Husayni blamed Zionist pressure in London, and said that, "the Zionist Executive, the Mandatory over the Mandatory, stopped it."[289] There is absolutely no evidence of this. The income tax inquiry took place in a very charged atmosphere. The Arabs had grown accustomed to the government making economic decisions that helped

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[286] Sabine, *A History of Income Tax,* chapters 2-4. They used the history of income tax in Britain to prove their point. From 1799-1816, there had been an income tax to pay off the debt of the Napoleonic wars. In 1816, the people refused to accept the tax in peace time and parliament passed a law not only abolishing the tax, but also ordering all tax records and laws to be destroyed. When the tax was re-implemented in 1842, the British grudgingly accepted it.

[287] Assef Likhovski, "Chasing Ghosts: On Writing Cultural Histories of Tax Law," in, *UC Irvine Law Review, Law as… Theory and Method in Legal History*, Vol. 1, No. 3 (2011), 860.

[288] *Royal Commission Minutes*, 328.

[289] Ibid, 321.

the Zionists. Again, as already stated, many wealthy Arabs privately were against the tax, so the statements made by the elites during the hearings were probably not very genuine, but the sentiment conveyed, that the Arabs were suffering while the Jews continued to grow in strength, was surely felt by the fellaheen.

Land Sales

> We swear by God and by our country that we will not sell our land to Jews, either directly or indirectly, that we boycott Jewish goods and products, that we encourage Arab commerce and industry, and that we boycott every Arab who buys from Jews anything but land.[290]

Throughout the late 19th and early 20th century, Zionists bought land in Palestine, mostly from Syrian absentee landlords. The prices, combined with a lack of emotional attachment and legal ambiguity resulting from the mandate system that separated them from their land, motivated them to sell. By the late 1920s, the Zionists had purchased most of the land that the absentee landlords owned and then began focusing on buying from large Palestinian landlords.[291]

As already mentioned, the Palestinian agricultural economy faced a severe crisis starting in the late 1920s. With land values increasing and the agricultural sector in disarray, it was more profitable for the Palestinian landlords to sell the land than to rent it out. Also, the fellaheen had become overwhelmed with loans that they had been obliged to take out as a result of multiple crop failures that occurred in the early 1930s, and resorted to selling their land to pay off the moneylenders. In the early 1920s, transfers

[290] Report on Arab Congresses. Enclosed in Consul General P. Knabenshue, Jerusalem, to Secretary of State, 19 December 1929. Records of the United States Consulate in Jerusalem, Reel 3, 232-238. Oath taken by all those in attendance at the All Palestine Arab Congress, 27 October 1929.
[291] Abraham Granott, *The Land System in Palestine* (London: Eyre & Spottiswoode, 1952) 277.

from the fellaheen made up of 1.6% of the land acquired by the Zionists. By 1933, this number was 22.5%.[292]

Buying land from the fellaheen was a far more complicated process than purchasing from absentee landlords. With large landowners, the Zionists could purchase a large contiguous plot and only negotiate with one person who usually had the land cleared of tenants prior to the transfer. The plots of the fellaheen were much smaller and deals often needed to be made with several of them to create a plot of land viable for Zionist settlement. Dealing directly with the fellaheen created a more acute sense of alienation than had occurred when negotiating with large landowners. The fellaheen realized that their "economic, political, and even physical future was at stake."[293]

By the 1920s, land sales had taken on an overtly political tone. Stopping these land transfers had become one of the main rallying cries of the Palestinian nationalist movement. During the Peel Commission hearings, several prominent Arab politicians criticized the government for not doing more to prevent Jewish acquisition of Arab land. At the same time, many of these notables had themselves sold land or helped to facilitate the transfer of land to Jews. For example, 'Awni Bey 'Abd al-Hadi, founder of the Istiqlal party and a member of the Arab Higher Committee, had served as a legal advocate to the Jewish National Fund for the sale of part of Wadi Hawarith and received £2,700 for his services.[294]

Controlling the land issue was extremely difficult for the British as the needs of the fellaheen and the future Jewish National Home were diametrically opposed. Furthermore, commitments to both groups were enshrined in the same article of the

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[292] Ibid.
[293] Stein, *The Land Question in Palestine,* 179.
[294] Ibid, 231.

mandate. Article Six spoke of the requirement of the government to support the "close settlement by Jews on the land…" at the same time "ensuring that the rights and position of other sections of the population are not prejudiced." Therefore, any policy adopted that would restrict Jewish settlement would lead to protests by the Zionist Organization, and any lease of state land or any law that helped to facilitate Jewish land purchase could leave the government open to criticism from the Arabs.

At the same time, the British needed to take into consideration how land sales fit into the wider economic and political situation of Palestine. With Jews increasingly contributing a larger proportion of the country's revenue, the government needed to secure the development of Zionism. Growth of Zionist land holdings not only allowed for the absorption of more immigrants, but the land issue was a very powerful symbol that could be used by the Zionists in order to attract donations from international Jewry. Taking drastic steps to prohibit land transfers would devastate Zionist development and therefore affect the government revenue. Likewise, the large Arab landowners wanted to sell their land for a profit and the government needed to placate them in order to convince them to collaborate politically. If the government cracked down too much on land sales, it feared that the notables would no longer cooperate. Therefore, in addition to allowing land transfers, the government often made sure to keep such deals between wealthy Arabs and Zionists under wraps.

Instead of securing the position of the fellaheen through investments, the British focused on legislation. Throughout the 1920s and 1930s, the British continuously enacted and adjusted legislation in order to try and meet the objectives of the Arab landlords, the fellaheen, and the Zionists. During the 1920s, this legislation utterly failed to protect the fellaheen as it could be and was easily circumvented. High Commissioner Chancellor eventually argued that the only way to prevent the dispossession of the fellaheen was to prohibit the transfer of land from Arabs to Jews, but given the commitment to the budget, the Zionists, and the Arab landlords, this would not be forthcoming. Though better for the fellaheen, legislation in the 1930s did not adequately ameliorate the situation.

Land Legislation

Throughout the late 1920s and 1930s, Arabs continuously petitioned the government to protect the rights of the fellaheen. In 1929, the Congress of Arab Villagers asked for further legislative protection that would force selling fellaheen to maintain a certain viable lot for their future income.[295] During the Peel Commission, ‘Awni Bey ‘Abd al-Hadi stated that the ordinances that the British had implemented were not effective because the government did not enforce them.[296] Jamal Bey al-Husayni, member of the Palestine Arab Party and the Arab Higher Committee, went further and put the government’s inability to provide legal protection for the fellaheen into the wider context of the failing agricultural situation due to British policies towards agricultural credit, and its failure to protect Palestinian wheat.[297]

Upon entering the country, the military administration had found the land registry system a mess as most of the documents had been taken by the fleeing Ottoman army. The administration decided to prohibit land transfers to prevent speculation in land and to protect the fellaheen who would have otherwise sold their land as they faced defaulting

[295] Report on Arab Congresses. Enclosed in Consul General P. Knabenshue, Jerusalem, to Secretary of State, 19 December 1929. Records of the United States Consulate in Jerusalem, Reel 3, 232-238.
[296] *Royal Commission Minutes*, 311.
[297] Ibid, 319-320.

on their loans.[298] During the war, a sizeable proportion of the fellaheen had taken out additional loans in order to pay a fee and avoid conscription.[299] In 1920, Sir Herbert Samuel re-opened the land registry as he hoped that this measure would lead to investments in land and boost the economy.[300]

That same year, the High Commissioner passed the Land Transfer Ordinance of September 1920. It stated that the local district commissioner had to give his consent to all land purchases and in order to receive such approval, all tenants had to be provided with a plot of land which would be sufficient to sustain them and their families. It also restricted land sales larger than 300 dunams and those worth more than £3,000. Pressure from London, the Zionists, and Arab landlords to ease restrictions on transfers forced the government to remove some of the most important ones.

While the 1920 Land Transfer Ordinance provided protection to tenants, it left laborers and subtenants completely vulnerable. Kenneth Stein states that these unprotected classes made up around 80% of the Arab rural population.[301] When the Jewish National Fund bought land in Shatta village, only five of the 60 families that lived on the land were eligible for compensation as the other 55 families were laborers or sub-tenants.[302] Even with this glaring defect, the 1920 ordinance remained the most effective piece of legislation for protecting the fellaheen during that decade.

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[298] Charles Kamen. *Little Common Ground: Arab Agriculture and Jewish Settlement in Palestine, 1920-1948* (Pittsburgh: University of Pittsburgh Press, 1991), 153.
[299] Kenneth Stein, "Legal Protection and the Circumvention of Rights of Cultivators in Mandatory Palestine," in Joel Migdal ed., *Palestinian Society and Politics*. (Princeton: Princeton University Press, 1980), 235.
[300] Smith, *The Roots of Separatism*, 91.
[301] Stein, "Legal Protection," 241.
[302] Yehoshua Porath, "The Land Problem as a Factor in the Relations Among Jews, Arabs and the Mandatory Government," in Gabriel Ben-Dor ed., *The Palestinians and the Middle East Conflict* (Ramat Gan: Turtledove Publications, 1978), 517.

The 1921 Land Transfer Ordinance removed restrictions on transfers based on size and value. Though it still required the seller to provide maintenance areas for tenants, this was easily evaded by evicting them before the deal was reported to the government. There were other ways to manipulate the maintenance area clause as well. In the case of the sale of the Jezreel Valley, the Jewish National Fund offered the fellaheen leases to land at prices that the Zionists knew they could not afford.[303] When the fellaheen were unable to lease the land, the JNF then gave them monetary compensation instead. The government approved of the transfer even though the letter of the law had not been followed. In other cases, purchasers allowed the fellaheen to stay on the land for a few years, and then later gave them monetary compensation for leaving.

In 1929, the government passed the Protection of Cultivators Ordinance which replaced the 1921 Land Transfer Ordinance. This new law eliminated the maintenance area clause and legalized monetary compensation. Kenneth Stein stresses how Zionist influence was critical in getting this change. By legalizing monetary compensation, the Protection of Cultivators Ordinance of 1929 effectively rolled back all the protections that the peasants had received from the 1920 Land Transfer Ordinance. In essence, instead of enforcing the ordinances, which would have been unpopular with both the Zionists and the Arab sellers, the government adjusted the law to accommodate actual practice on the ground.

The aftermath of the 1929 riots forced the government to reassess its policy on land sales. High Commissioner Chancellor wanted to pass land restrictions that would greatly prevent Zionist development. With Lord Passfield in the Colonial Office instead

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[303] M. F. Abcarius, *Palestine through the Fog of Propaganda* (London: Hutchinson and Company, 1946), 128.

of Amery and William Ormsby-Gore, Chancellor thought he had a chance of pushing through new legislation.[304] It was already clear to the government that the previous legislation had failed. Evicted fellaheen could not easily find land, and when they could, the compensation they received was never enough to buy it. Therefore, they were forced to again become tenants, leaving them vulnerable.[305] Sir John Chancellor stated,

> It is clear that a situation has now arisen in which the interests of the indigenous population and the interests of the Jews as regards agricultural land are in direct conflict; for further purchases of agricultural land by the Jews can be made only by dispossessing Arab cultivators of the land they are occupying and so creating a class of landless peasantry.[306]

He then concluded that new legislation needed to be passed that would go far beyond the restrictions of even the 1920 ordinance. The proposed law would allow land transfers from Arabs to Jews only with the approval of the High Commissioner himself, and given that Chancellor was very much against Zionism, this would never happen. This would give the fellaheen "a measure of protection similar to that… enjoyed by the Jews in respect to land owned by the Jewish National Fund."[307] Chancellor not only understood how drastic this measure was, but that it would also go against the mandate, and wanted it to be altered to accommodate the new legislation.[308]

Given that Zionist funds made up the bulk of the revenue, and that Arab landlords wanted to sell their land, London refused to take Chancellor's drastic recommendations seriously. Though the Passfield White Paper of October 1930 was intended to limit land transfers to some extent, Zionist pressure led to the MacDonald Letter four months later

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[304] Pinhas Ofer, "The role of the High Commissioner in British policy in Palestine: Sir John Chancellor, 1928-1931," Ph.D. diss., University of London, 1971, 161.
[305] Extract from the High Commissioner confidential dispatch of 27 January 1930. CO 733/185/77072.
[306] Ibid.
[307] Ibid.
[308] Ofer, "The Role of the High Commissioner," 149.

which annulled it. With far reaching legislation out of the question, the government continued to pass ordinances which played around the edges of the issue in the hopes of ameliorating the situation of the fellaheen.

In 1931, Chancellor enacted the Protection of Cultivators Amendment Ordinance in order to strengthen traditional grazing rights. The ordinance was amended in 1933 to strengthen statutory tenancy rights of the fellaheen. It prohibited a landlord from evicting a tenant who had occupied a plot of land for over a year. This led to some unintended consequences. Landlords began shifting the fellaheen from one plot to another before they could gain tenancy rights. Squatters and illegitimate tenants began making claims to the government against landowners. All this created a great deal of tension in Palestinian society. The Zionists on the other hand avoided tenancy issues by just increasing the amount of compensation they paid to the fellaheen.[309] Amazingly, the new ordinance actually increased land transfers of large plots. Arab landlords started to fear the possibility of claims coming from any of their tenants or illegitimate sources and therefore those with, "large estates of 1,000 dunams or more sold their lands to Jewish purchasers rather than run the risk of tenancy claims."[310]

While the 1933 amendment made transfers more complicated, it did not do enough to stem the tide. Instead, it created even more division among Palestinians. Instead of investing in development, the government continuously tried to find a cheaper solution, but with multiple commitments that precluded meaningful action, Zionists continued to purchase Arab land. It was not until the MacDonald White Paper of 1939 that the government took serious measures to prohibit land transfers.

[309] Stein, "Legal Protection," 250.
[310] Ibid, 253.

Conclusion

During the 1920s, the government exerted little effort to aid the plight of the fellaheen since other apparently more pressing commitments precluded any major efforts. Supposed fiscal difficulties prevented investment in agricultural development as the Colonial Office refused to deviate from its policy of fiscal conservatism even though Palestine produced a surplus. After the 1929 riots, the British could no longer ignore the economic predicament of the Arabs.

In the 1930s, the government then made several attempts to assist the Arab economy. It passed more legislation to protect Arab tenants, seriously investigated setting up credit facilities, and tried to protect agricultural products from foreign dumping. While several measures benefitted the fellaheen slightly, the overall economic policy towards the Arabs failed to achieve its goals, partly for the same reasons which prohibited the development of the Arab economy during the 1920s, mainly commitments to the international community, the budget, the Zionists, and Arab notables. All these constraints left few options open for the government.

All this occurred at a time in which the agricultural sector faced a major crisis. Due to environmental and international conditions beyond the control of the government, drought, locust, and mice infestations occurred at the same time as a worldwide depression, which caused agricultural prices to drop precipitously. The value of the mainstay of fellaheen agriculture, grain, plummeted steeply. The fellaheen fell into further debt and were forced to sell their land to pay off moneylenders. Their poverty was juxtaposed with the growing strength of Zionism, since the government continued to allow Jewish immigration and Zionist development. The Jewish National Home was quickly growing and the Zionists continued to gobble up more Arab land while they planned to conquer the Syrian market with their industrial production. In this atmosphere, the rational decision of the British not to adopt the income tax took on a charged political meaning as the Arabs concluded that the government was once again siding with the Zionists over them.

Complicated by other commitments and constraints, British agricultural policies fell far short of their intentions. Just as their policies towards industry and development had unintentionally led to negative implications for the Arabs, their agricultural policies often inadvertently exacerbated the situation. As Kenneth Stein states in regards to combating Arab indebtedness, the "British had good intentions but lacked real commitment."[311] Even policies that did benefit the fellaheen somewhat, such as the land tax and cooperatives, occurred far too late to have a positive impact.

During the early and mid-1930s, report after report explained that the poor economic conditions of the fellaheen had made them morose and increasingly upset at the government. The commissioner of lands, Albert Abramson, wrote an extremely illuminating memorandum on how the fellaheen had lost hope that their position would improve.

> Agricultural officers say that when they go to villages to discuss or explain improved methods of cultivation, they are met with silence or caustic remarks on the futility of government officers tendering advice to people whose financial situation, the government must be aware, is such that they have no means of raising money for their ordinary requirements, or for the payment of taxes, and that it is beyond the bounds of possibility for them to find any money to carry out any improvements.[312]

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[311] Stein, "Palestine's Rural Economy, 5.

[312] Commissioner of Lands Albert Abramson to Acting Chief Secretary, 18 May 1931. Enclosed in Officer Administering the Government , Jerusalem, to the Secretary of State for the Colonies, 23 May 1931. CO 733/207/87275.

Abramson emphasized that the fellaheen had become sullen and apathetic but that left unabated, these feelings could quickly turn to anger.

CHAPTER 5

CONCLUSION: THE GREAT WHITE UMPIRE

A. G. Hopkins coined the phrase, “the Great White Umpire” to refer to colonial governments’ economic policies of making sure existing economic rules were followed, not changed.[313] Hopkins postulates that the governments used this concept of non-interference to allow private enterprise and market forces to dictate the specialization of the colony’s production. This theory is completely absurd, as in the case of Palestine we have seen that the government often went against market forces and changed economic policies by giving unprofitable Zionist industries protective tariffs and by hiring uneconomical Jewish labor. The phrase ‘the Great White Umpire’ is often how the British tried to portray themselves. With two nationalist groups and disparate economic and political goals, the government often saw itself as an uninterested mediator. In actuality though, the government often treated both groups very differently and sacrificed Arab needs for those of the Zionists.

During the first decade of the mandate, the government focused on development of the country. The British granted generous concessions to the Zionists as they shared similar development goals. Sir Herbert Samuel devoted resources to public works and

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[313] A. G. Hopkins, *An Economic History of West Africa* (New York: Columbia University Press, 1973), 189.

infrastructure and although the increased lines of communications, new roads, and a retooled railroad system helped the Arabs to some extent, they provided a crucial boost to Zionist economic development and settlement.

As the Zionists generally did not need funds from the government for development, the British allowed them to govern themselves and invest in any way they saw fit. For example, Tel Aviv was nearly completely run by the Zionists from 1921-27 and the city provided most of its own services and security. The government gave this municipality an unprecedented amount of independence. Although this autonomy ended in 1928 when the British realized that the fiscal burden was too much for the city to handle, it demonstrates the way that the British viewed the Zionists. As long as the Jews were able to financially support themselves, the British would not interfere. In fact, as long as they were willing to contribute economically to the country, the government was willing to accommodate them with industrial protection and other changes in policies in order to facilitate further success.

The government's treatment of the Arabs was vastly different. Lacking the financial resources of the Zionists, the Arab sector relied primarily on the British. Unfortunately, neither London nor Jerusalem was prepared to abandon imperial financial policies of parsimony and invest heavily. The Zionists had a working health care and educational system while the government failed to provide the same for the Arabs. Instead, the government spent most of the country's revenue on security and defense, which naturally helped to further Zionist settlement. Lacking the initiative to greatly aid the Arabs economically, the government hoped that Zionist development would trickle down.

While some Zionist money did reach Arabs through land sales and employment, particularly in construction, the jobs paid very little and land transfers often led to the dispossession of the peasants. The belief that Zionist funds would greatly benefit the Arabs was quixotic. The Zionists invested only in their sector of the economy and sought to segregate themselves both socially and economically from the Arabs. By emphasizing hiring only Hebrew labor and buying only Hebrew goods, the Jews increasingly distanced themselves from the Arabs. Furthermore, the fellaheen often paid the price for the protective tariffs for Zionist industries. The cost of living went up for those who could least afford it.

Starting in 1930, there was a realization that the Arab economy could no longer be ignored. Prodded by the Shaw and Hope Simpson reports, the government planned to invest more in the Arab sector. Around the same time, there was also a change of officials in Jerusalem and London. The pro-Arab High Commissioner Sir John Chancellor replaced Lord Plumer while Lord Passfield replaced Leo Amery as Secretary of State for the Colonies. The Arabs were cautiously optimistic that the balance of power would begin to shift away from the Zionists.

In the end, they were greatly disappointed. The government did not crack down on land sales or Jewish immigration. Most of the recommendations of the Hope Simpson and Shaw reports that would have benefited the Arabs were ignored. Fiscal constraints continuously postponed and scaled back an ambitious development loan scheme proposed by Hope Simpson, and eventually, the entire project was shelved.[314] The policies advocated by the Passfield Paper survived a mere four months before Zionist pressure had them annulled. The government failed to provide proper education and

[314] Tyler, *State Lands and Rural Development*, 209.

training to Arab villages. The promises of the government were rarely fulfilled and when they were, it was not in a timely manner. For example, it took well over a decade to establish an agricultural bank. The Arabs had completely lost faith in the government. Even though the British continuously claimed to be neutral, it did not look like it to the Arabs.

In closing, this thesis makes two arguments. First, British policies from 1920-1936 need to be viewed in a much wider context beyond the traditional dual commitments to the Zionists and the Arabs to include obligations towards the international community as well as to the British Empire. The economic decisions of the government of Palestine were not made in a vacuum and the High Commissioner needed to keep in mind larger imperial goals. Palestine was to support the empire through Haifa harbor and the oil pipeline from Iraq. The country also needed to pay for itself and not become a burden on the British tax payer. This last obligation meant that the government needed to build up a surplus in case of a rainy day instead of investing in agriculture. International obligations such as those dictated by the mandate, the British-American Covenant of 1924, and the Palestine-Syrian trade agreements meant that the government could not control trade policies. On the other hand, British trade agreements with most favored nations prevented the granting of Imperial Preference to Palestine. While the British were willing to skirt around international obligations to help British contractors and industries, they were not willing to do the same to protect Palestinian products.

The second argument is that British economic policies often had unintended consequences that either greatly angered the Arabs, hurt their sector of the economy, or both. For example, in regards to industry, the government hoped that by granting Zionists key concessions to hydroelectricity and the Dead Sea minerals, the Arabs would see the economic benefit of the Zionists and come to terms with the Jewish National Home. This was not the case. The Zionists used these resources to support further immigration and settlement and the Arabs realized that the monopolization of these assets meant that the Jewish National Home was rapidly gaining power at their expense. Protected during the late 1920s by the government, Shemen Oil built an economy of scale. At lower prices, Shemen products sometimes undercut Arab soaps and oils and at the same time hurt Arab peasants.

In agriculture, the government lacked the financial commitment needed to ameliorate the conditions of the fellaheen. Even when investments were made, very few improvements actually occurred. While the commuted tithe was meant to help the peasants, the drop in agricultural prices and crop failures combined with an increase in *werko* meant that they often paid more in taxes than before. The promise of agricultural credits languished for over a decade and when an agricultural bank finally was created, it mostly helped the Zionists. The British favored cooperatives because they were inexpensive, but the government waited until the 1930s to devote funds to the project, and even then, it failed to adequately carry through with it. The failure of the government to support the Arab economy in any meaningful way helped to create a politically charged atmosphere in the 1930s. Even when the government made a rational decision to postpone the income tax, the Arabs assumed it was the work of the Zionists. In the end, over 16 years of commitments to the international community, the Zionists, and the empire helped lead to the unintended consequences of British economic policies that negatively affected the Arab economy.

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